

2021
GTJA

ANNUAL REPORT

國泰君安證券股份有限公司
GUOTAI JUNAN SECURITIES CO., LTD.
(A joint stock company incorporated in the
People's Republic of China with limited liability)

Important Notice

- I. The Board, Supervisory Committee, Directors, supervisors and senior management of the Company warrant that the contents of this report are true, accurate and complete, without any misrepresentation, misleading statements or material omissions, and severally and jointly bear the legal responsibilities thereof.**
- II. All Directors of the Company attended the Board meeting.**
- III. The Company's domestic and international annual financial reports have been audited by KPMG Huazhen LLP and KPMG respectively, and a standard unqualified audit report has been issued respectively.**
- IV. HE Qing, the person in charge of the Company, and NIE Xiaogang, the person in charge of accounting affairs and DONG Boyang, the person in charge of the accounting department (head of the accounting department) of the Company, warrant the truthfulness, accuracy and completeness of the financial statements contained in this report.**
- V. The profit distribution proposal or the proposal on transfer of the capital reserve fund into capital, within the Reporting Period, was approved by the Board**

Based on the total share capital of the Company recorded on the date of the dividend distribution, the Company shall distribute cash dividends of RMB6.80 (tax included) for every 10 shares to holders of A Shares and holders of H Shares.

As the conversion period for the A Share convertible corporate bonds issued by the Company in July 2017 began on 8 January 2018, the total share capital of the Company recorded on the date of dividend distribution for holders of A Share cannot be currently ascertained. Based on the total share capital of the Company, being 8,908,449,523 Shares on 31 December 2021, the total amount of the cash dividends to be distributed is RMB6,057,745,676, accounting for 40.35% of the consolidated net profit attributable to equity holders of the Company for 2021. The proposal for profit distribution of the Company in 2021 has been passed in the 4th meeting of the sixth session of the Board of the Company, subject to the consideration in the general meeting of the Company.

VI. Statement of the risks involved in forward-looking statements

Applicable Not applicable

Forward-looking statements included in this report, including future plans and development strategies, do not constitute any substantial commitment of the Company to investors. Investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

Important Notice

VII. Was there any appropriation of funds on a non-operating basis by controlling shareholders of the Company or their related parties?

No

VIII. Did the Company provide any external guarantees in violation of the prescribed decision-making procedures?

No

IX. Whether more than half of the directors were not able to assure the truthfulness, accuracy and completeness of the Annual Report disclosed by the Company?

No

X. Major risk warning

The risks faced by the Company in its operations mainly include: market risk, credit risk, liquidity risk, operational risk and reputational risk, which are specifically embodied as the risk of loss to the Company due to unfavorable changes of market prices; risk of loss to the Company due to failures to perform their obligations stipulated in relevant contracts by securities issuer, counterparties and debtors or the changes of market value of the debts caused by the changes of credit rating or contract performance capacity; risk of not being able to obtain sufficient funds in time at reasonable costs to repay debts that are due, fulfil other payment obligations and satisfy the funding requirements for ordinary business operation; risk of possible loss caused by the failures of internal systems and procedures, improper employee behaviors, IT risks and the influence of external events; risk of negative evaluation of the Company's reputation due to the Company's operation and management or external events.

The Company has established an effective internal control system, compliance management system and a dynamic regulatory system based on risk control indicators to enable the operations of the Company to be conducted within an extent of predictable, controllable and tolerable risks.

Investors are advised to read "Section III Discussion and Analysis of the Board of Directors" as set out in this report carefully for risks related to the operations of the Company.

XI. Others

Applicable Not applicable

Chairman's Statement

PURSUING DREAMS IN THE OCEAN-LIKE CHINESE ECONOMY

Dear shareholders,

History keeps moving forward; the establishment, growth and expansion of Guotai Junan have always been closely tied with the country's economic and social development. Thirty years ago, when the "Story of Spring" was well known around the country, "Guotai Securities" and "Junan Securities" were founded and developed like rapid waves in the ocean-like Chinese economy. Over the past 30 years, we have been committed to serving the country's major strategies, pioneering again and again in the industry and market. We have been putting efforts to develop an ecosystem for opening up the securities market and working closely with different parties to build a modern capital market with Chinese characteristics. We also aim to transform into a wealth management company, allowing the company's tens of millions of customers to share the benefits of economic growth. In addition, we actively participate in targeted poverty alleviation activities, with many fruitful results yielded from our initiative of "financial empowerment for people".

In 2021, we insisted on strengthening our foundation and making progress while maintaining stability. Through pursuing further growth from innovation with agility and certainties, we managed to effectively hedge against the challenges and uncertainties from the external environment. We have recorded strong financial performance during the year with consolidated operating income of RMB42.8 billion and net profit attributable to owners of the parent company of RMB15 billion, up 22% and 35% year-on-year respectively. The ROE was 11.05%, which has increased by 2.51 percentage points compared with last year. We focused on the three core groups of customers, namely retail, corporate and institution, and strived to achieve "one Guotai Junan" synergy and linkage mechanism as well as to provide customer-centric full-chain services by building a comprehensive financial service platform that "crosses the lines, adds values, and opens up domestic and overseas markets". With the vision of being a "SMART investment bank" in mind, we emphasize the three essential areas: concept, structure and technology, aiming to build a new generation of homemade core trading system with minimal delay and speed up its comprehensive digital transformation that focuses on strategic goals driven, IT and business integrations, organizational system support, and "people-oriented" as the core. Compliance and stability are our core values. We leverage on the three lines of defense, including business units, compliance risk controls and audits, to form a comprehensive risk control profile, with which we have been awarded Class A Grade AA regulatory rating in the securities industry for 14 consecutive years.

Note: the above financial information is based on the Chinese accounting standards for enterprises

Chairman's Statement

In 2022, Guotai Junan will enter its fourth decade of development and continue to realize new achievements as the best way to celebrate the 30 years of efforts. The world is currently in a stage of reform with the combined impact of the complex international situation and the coronavirus epidemic. The risks and challenges ahead of the country's development have increased significantly. At the historical convergence of the two centenary goals, the CPC Central Committee's emphasis on realizing common prosperity of all the people as a priority has started a new journey of building a modern socialist country in all respects. The times call for a mission and ideas determine the future. Guotai Junan will always march together in progress with the country. Taking the lofty ideal of common prosperity as our practical goal and making unremitting efforts, we are committed to integrating the development of the company into the overall situation of the country and striving to promote reshaping the industry values.

We are well aware that our mission is to serve the high-quality development of the economy as well to meet the growing wealth management needs of the people. We will be a "good partner" of scientific and technological innovation, by continuously enhancing the research and service capabilities of key industries, providing integrated financial services for the investment and finance industry throughout its life cycle, and supporting the technological self-reliance and the transformation and upgrade of the real economy. We will be a "manager" of the social wealth through further promoting the transformation of customer-centric wealth management, strengthening the infrastructure of buyer service capabilities, and continuously enhancing the sense of gain for different types of investors. We will be a "companion" for institutional clients by means of enhancing professional standards and service coverage, and contributing to the capital market in increasing transaction activity, product offerings and international participation. We will be an "advocate" of digital financial inclusion through deepening the innovative application of financial technologies, improving the ethical governance of technology, and providing more high-quality, convenient, efficient and friendly financial services to all customers from Generation Z to the elderly.

We are well aware that our development benefits from the fundamental conditions of China's strong economy, huge potentials and long-term improvements, as well as from the continuous enhancements of our own core capabilities. We will be a "leader" in the development of the industry by accelerating our transformation from a traditional securities company to a modern investment bank, and actively consolidating our three pillars of core capabilities, including integrated service platform, leading digital technology and strong compliance culture, while reducing our reliance on external factors. We will be a "gatekeeper" of the capital market by providing better support to the economic restructuring and upgrade, actively participating in the discussions of issues involving prospect, ecology and environment of the capital market, and supporting the capital market to develop its stability mechanism. We will be a "promoter" of the development in the regions by actively serving the major national strategies and coordinating the regional development, facilitating favorable elements for the most potential areas, steadily advancing the international layout, and better supporting the new development paradigm of "dual circulation".

Chairman's Statement

We are well aware that our happiness needs a material basis, but spiritual prosperity is equally essential. We will be a “model” corporate citizen by fully implementing the ESG governance philosophy and fulfilling our economic, political, social and environmental responsibilities, in an effort to create more sustainable comprehensive value for customers, investors, partners, employees, government and regulatory authorities, communities and the environment and other stakeholders. We will be the “disseminator” of the industry culture through integrating the pursuit of value into the Company’s systems and processes as well as the employee code of conduct, in a bid to promote the coordination between institutional heteronomy and cultural self-discipline, and adhere to the strong character of “facing the vicissitudes of life with integrity and no fear”. We will be a “practitioner” of “finance for good” by bravely undertaking the mission of rural revitalization and actively exploring a new mode of financial assistance for the third distribution, with a view to jointly guarding the bottom line of preventing people from falling back into poverty on a scale and promoting the common prosperity among farmers and in rural areas.

In March 2022, we took the lead in releasing the “Action Plan for Serving the Goal of Common Prosperity (2022-2025) 《服務共同富裕目標行動計劃(2022-2025)》” in the industry. We will take this as the major mission and important practice of implementing the concept of “serving the country through finance” in the new development stage, and strive to achieve high-quality development in the process of serving the country’s major strategies, meeting the people’s wealth management needs and building a modern capital market with Chinese characteristics. In light of China’s strong economy, Guotai Junan will always stand at the forefront and move forward in pursuing its dreams!

Guotai Junan Securities Co., Ltd.

HE Qing
Chairman of the Board
30 March 2022

Contents

Section I	Definitions	3
Section II	Company Profile and Key Financial Indicators	5
Section III	Discussion and Analysis of the Board of Directors	21
Section IV	Corporate Governance	74
Section V	Environment and Social Responsibility	154
Section VI	Significant Events	163
Section VII	Changes in Shares and Particulars of Shareholders	187
Section VIII	Preferred Shares	202
Section IX	Corporate Bonds	203
Section X	Independent Auditor's Report and Notes to Financial Statements	219
Section XI	Information Disclosure of Securities Company	377

Documents Available for Inspection:	<ol style="list-style-type: none">1. The text of the annual report with signatures of authorized representatives of the Company2. The text of the financial report signed and sealed by authorized representatives of the Company, competent responsible persons of accounting works and persons in charge of accounting institutions3. The original copy of the audit report sealed by the accounting firm as well as signed and sealed by the certified accountant4. All original copies of documents and the full text of the relevant announcements of the Company publicly disclosed on websites designated by China Securities Regulatory Commission during the Reporting Period
-------------------------------------	---

Section I Definitions

1. DEFINITIONS

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

Definitions of frequently-used terms

The Company/Company/Guotai Junan	Guotai Junan Securities Co., Ltd.
The Group/Group	Guotai Junan Securities Co., Ltd. and its subsidiaries
Articles of Association/Articles	the articles of association of Guotai Junan Securities Co., Ltd.
Share(s)	ordinary shares in the capital of the Company with a nominal value of RMB1 each, comprising A Shares and H Shares
Shareholder(s)	holder(s) of the Share(s) of the Company
Board/Board of Directors	the board of Directors of the Company
Director(s)	director(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Supervisor(s)	the supervisor(s) of the Company
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Shanghai Bureau of the CSRC	Shanghai Office of the China Securities Regulatory Commission
SAC	Securities Association of China (中國證券業協會)
SSE/Shanghai Stock Exchange	Shanghai Stock Exchange
SZSE/Shenzhen Stock Exchange	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
International Group	Shanghai International Group Co., Ltd. (上海國際集團有限公司)
Shanghai SA	Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司)
Shenzhen Investment Holdings	Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司)
Guotai Junan Asset Management	Shanghai Guotai Junan Securities Asset Management Co., Ltd. (上海國泰君安證券資產管理有限公司)
Guotai Junan Futures	Guotai Junan Futures Co., Ltd. (國泰君安期貨有限公司)
Guotai Junan Financial Holdings	Guotai Junan Financial Holdings Co., Ltd. (國泰君安金融控股有限公司)
Hong Kong Subsidiaries	Guotai Junan Financial Holdings Co., Ltd. and its controlled subsidiaries
Guotai Junan International	Guotai Junan International Holdings Limited (國泰君安國際控股有限公司), controlled by Guotai Junan Financial Holdings Co., Ltd. and a public company listed on the Hong Kong Stock Exchange (stock code:1788)

Section I Definitions

Guotai Junan Innovation Investment	Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司)
Guotai Junan Zhengyu	Guotai Junan Zhengyu Investment Co., Ltd. (國泰君安證裕投資有限公司)
HuaAn Funds	HuaAn Funds Management Co., Ltd. (華安基金管理有限公司)
Shanghai Securities	Shanghai Securities Co., Ltd. (上海證券有限責任公司)
Guoxiang Properties	Shanghai Guoxiang Properties Co., Ltd. (上海國翔置業有限公司)
SPD Bank	Shanghai Pudong Development Bank (上海浦東發展銀行股份有限公司)
Shanghai Rural Commercial Bank	Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司)
Convertible Bonds/ A Share Convertible Bonds	the convertible corporate bonds (which can be converted into the Company's A Shares) amounting to RMB7 billion issued by the Company on 7 July 2017 and listed on SSE on 24 July 2017
Company Law	the Company Law of the PRC
Securities Law	the Securities Law of the PRC
SSE Listing Rules	The Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Reporting Period	the year of 2021
Yuan	RMB Yuan
A Shares	domestic shares of the Company, with a nominal value of RMB1 each, which are listed on the Shanghai Stock Exchange and traded in RMB
H Shares	overseas listed foreign shares of the Company, with a nominal value of RMB1 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
FICC	Fixed Income, Currencies and Commodities
Daohe APP	APP serving corporate and institutional customers
Matrix System	the corporate and institutional customers management system
Jun Hong APP	APP serving retail customers

Section II Company Profile and Key Financial Indicators

I. PROFILE

Name in Chinese	國泰君安證券股份有限公司
Abbreviation in Chinese	國泰君安、國泰君安證券
Name in English	Guotai Junan Securities Co., Ltd.
Abbreviation in English	GTJA, Guotai Junan Securities
Legal Representative	HE Qing
President	WANG Song

Registered Capital and Net Capital of the Company

Applicable Not applicable

Unit: yuan Currency: RMB

	At the end of the Reporting Period	At the end of the last year
Registered Capital	8,907,947,954	8,907,947,954
Net Capital	95,023,119,722	88,499,901,610
Share Capital ^{Note}	8,908,449,523	8,908,448,211

Note: In 2021, the cumulative number of Shares converted from the A Share Convertible Bonds of the Company was 1,312 Shares, the shares of the Company increased to 8,908,449,523 Shares. In January 2022, the Company completed the repurchase and cancellation of 1,778,000 restricted A Shares, and the shares of the Company decreased by 1,778,000 shares accordingly. The Company will apply for registering the change of the registered capital in a timely manner in accordance with the relevant requirements.

Business Qualifications for Each Individual Business of the Company

Applicable Not applicable

1. Individual Business Qualifications of the Company

No.	Approval Department	Qualification Name/Membership
1	The People's Bank of China	Interbank Borrowing Qualification (Yin Huo Zheng [2000] No. 122, Yin Zong Bu Han [2016] No. 22) Participation of Gold Trading on Shanghai Gold Exchange as an Institutional Dealer (Yin Shi Huang Jin Bei [2014] No. 143) Free Trade Accounting Business (August 2015) Participating in Southbound Trading Link Business under (December 2021)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
2	CSRC and its local branches	<p>Operation license of securities businesses: securities brokerage; securities investment advisory; securities transaction and securities investment related financial advisory; securities underwriting and sponsorship; securities proprietary trading; margin financing and securities lending; agency sale of securities investment fund; agency sale of financial products; stock option market making. (Number: 10270000)</p> <p>Online Agency Securities Trading (Zheng Jian Xin Xi Zi [2001] No. 3)</p> <p>Agency Sale Business of Open-ended Securities Investment Fund (Zheng Jian Ji Jin Zi [2002] No. 31)</p> <p>Provision of Intermediary Introduction Business for Futures Companies (Zheng Jian Xu Ke [2008] No. 124, Hu Zheng Jian Ji Gou Zi [2010] No. 103)</p> <p>Participating in Stock Index Futures Transaction (Hu Zheng Jian Ji Gou Zi [2010] No. 253)</p> <p>Bond-pledged Quotation and Repurchase Business (Ji Gou Bu Bu Han [2011] No. 573, Shang Zheng Han [2013] No. 257)</p> <p>Agreed Repurchase Securities Trading Business (Ji Gou Bu Bu Han [2012] No. 250)</p> <p>Integrated Financial Services (Ji Gou Bu Bu Han [2012] No. 555)</p> <p>Margin Financing and Securities Lending Business (Zheng Jian Xu Ke [2013] No. 311)</p> <p>Agency Sale of Financial Products (Hu Zheng Jian Ji Gou Zi [2013] No. 56)</p> <p>Pilot of Agency Services for Gold and Other Precious Metal Spot Contracts and Proprietary Business for Gold Spot Contracts (Ji Gou Bu Bu Han [2014] No. 121)</p> <p>Qualification for Securities Investment Fund Custody Business (Zheng Jian Xu Ke [2014] No. 511)</p> <p>Foreign Exchange Business such as Proprietary Foreign Exchange Trading and Foreign Exchange Settlement and Sale on behalf of Customers, Proprietary Foreign Exchange Trading and Foreign Exchange Trading on behalf of Customers (Zheng Quan Ji Jin Ji Gou Jian Guan Bu Bu Han [2014] No. 1614)</p> <p>Stock Options Market Making Business (Zheng Jian Xu Ke [2015] No. 154)</p> <p>Proprietary Participation in Carbon Emissions Trading (Ji Gou Bu Han [2015] No. 862)</p> <p>Conducting Cross-border Business at Pilot (Ji Gou Bu Han [2017] No. 3002)</p> <p>First-class Dealer for Over-the-counter Options (Ji Gou Bu Han [2018] No. 1789)</p> <p>Qualifications to Conduct Credit Derivative Business (Ji Gou Bu Han [2018] No. 2545)</p> <p>Stock Index Options Market Making Business (Zheng Jian Hui Ji Gou Bu Han [2019] No. 3066)</p> <p>Conducting Fund Investment Advisory Business at Pilot (Ji Gou Bu Han [2020] No. 385)</p> <p>Account Management Function Optimization Pilot Business (Ji Gou Bu Han [2021] No. 3750)</p> <p>Treasury Futures Market Making Business (Ji Gou Bu Han [2021] No. 4029)</p>

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
3	SAC	<p>Qualification for Participating in Related Innovation Activities (February 2005)</p> <p>Pilot of Underwriting Business of SME Private Placement Bonds (Zhong Zheng Xie Han [2012] No. 378)</p> <p>OTC Trading Business (Zhong Zheng Xie Han [2012] No. 825)</p> <p>Financial Derivatives Business (Zhong Zheng Xie Han [2013] No. 1224)</p>
4	China Securities Depository and Clearing Corporation Limited	<p>Agency Registration Business (April 2002)</p> <p>Clearing Participant (Zhong Guo Jie Suan Han Zi [2006] No. 67)</p> <p>Class A Clearing Participant (Zhong Guo Jie Suan Han Zi [2008] No. 24)</p> <p>Qualified Institution Establishment for Credit Protection Bond Pledge Repo Business (Zhong Guo Jie Suan Han Zi [2021] No. 200)</p>
5	China Securities Finance Corporation Limited	<p>Pilot Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2012] No. 116)</p> <p>Pilot Securities Refinancing Business (Zhong Zheng Jin Han [2013] No. 45)</p> <p>Science and Technology Innovation Board Securities Refinancing Business (Zhong Zheng Jin Han [2019] No. 130)</p>

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
6	Shanghai Stock Exchange/ Shenzhen Stock Exchange	Treasury Bonds Outright Repo Business (December 2004) Carrying out the Business of "SSE Fund Connect (上證基金通)" (July 2005) First-class Dealer for SSE 180 Trading Open-ended Index Securities Investment Fund (March 2006) Trader of Integrated Electronic Platform for Fixed Income Securities (Shang Zheng Hui Han [2007] No. 90) Qualified Investor of Block Trade System (No. A00001) Stock Pledge Repo Business (Shang Zheng Hui Zi [2013] No. 64, Shen Zheng Hui [2013] No. 58) Financing Business Pilot for Exercise of Options under Share Options Incentive Schemes of Listed Companies (Shen Zheng Han [2015] No. 15) Participant for Trading of Stock Options (Shang Zheng Han [2015] No. 66) SSE 50ETF Options Market Maker (Shang Zheng Han [2015] No. 212, Shang Zheng Gong Gao [2015] No. 4) Southbound Business (Shang Zheng Han [2014] No. 654, Shen Zheng Hui [2016] No. 326) Core Dealer of Credit Protection Contract (Shang Zheng Han [2019] No. 205) Business Qualification as Lead Market Maker of Listed Funds (Shang Zheng Han [2019] No. 1288) Credit Protection Certificate Creation Agency (Shang Zheng Han [2019] No. 2253) Stock Option Business (Shen Zheng Hui [2019] No. 470) CSI 300ETF Options Lead Market Maker Business (Shang Zheng Han [2019] No. 2303, Shen Zheng Hui [2019] No. 483)

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
7	State Administration of Foreign Exchange	<p>Securities Brokerage and Underwriting Business of Foreign Currency (Hui Zi Zi No. SC201221)</p> <p>Transactions of Spot Sale and Purchase of Foreign Exchange, RMB and Foreign Exchange Related Derivative Business and Qualified Domestic Institutional Investor for Sale and Purchase of Foreign Exchange (Hui Fu [2014] No. 325)</p> <p>Businesses, such as Quanto Product Settlement and Sale, Foreign Exchange Settlement and Sale for QFII Custody Customer, Foreign Exchange Trading on behalf of Customers (Hui Zong Bian Han [2016] No. 505)</p> <p>Handling the Sale and Purchase of Foreign Exchange for the customers engaging in cross-border investment and financing transactions (Hui Zong Bian Han [2020] No. 469)</p> <p>Pilot Business for Sale and Purchase of Foreign Exchange on Behalf of Customers (Hui Zi Bian Han [2021] No. 238)</p>
8	National Association of Financial Market Institutional Investors	<p>Main Underwriting Business of Debt Financing Instruments for Non-Financial Businesses (Announcement of National Association of Financial Market Institutional Investors [2012] No. 19)</p> <p>Core Dealer of Credit Risk Mitigation Instruments (December 2016)</p> <p>Creator of Credit Risk Mitigation Warrants (2017)</p> <p>Creator of Credit-linked Notes (2017)</p>
9	Shanghai Gold Exchange	<p>Special Membership (Certificate No. T002)</p> <p>International Membership (Class A) (Certificate No. IM0046)</p> <p>Qualification for Proprietary Gold Trading (Shang Jin Jiao Fa [2013] No. 107)</p> <p>Interbank Gold Price Inquiries Business (Shang Jin Jiao Fa [2014] No. 114)</p> <p>Pilot Member of Implied Volatility Curve Quotation Group for Gold Inquiry Options (November 2017)</p>
10	National Equities Exchange and Quotations	<p>Sponsoring Broker-dealers Market Making Business (Gu Zhuan Xi Tong Han [2013] No. 58, [2014] No. 706)</p>

Section II Company Profile and Key Financial Indicators

No.	Approval Department	Qualification Name/Membership
11	China Foreign Exchange Trading Center	<p>China Interbank FX Market Membership (Zhong Hui Jiao Fa [2015] No. 3)</p> <p>China Interbank FX Market Derivatives Membership (Zhong Hui Jiao Fa [2015] No. 59)</p> <p>Northbound Trading Link Business under “Bond Connect” (July 2017)</p> <p>Inter-bank Foreign Currency Market Membership (Zhong Hui Jiao Fa [2018] No. 412)</p> <p>Interbank Interest Rate Exchange Fixing (Closing) Curve Quote Agency (November 2019)</p> <p>Inter-Bank Bond Market Spot Bond Market Maker (Comprehensive Type) (March 2021)</p> <p>Pilot Institution for Automated Market-making Services in the Inter-Bank Bond Market (November 2021)</p>
12	Interbank Market Clearing House Company Limited	<p>Central Clearing Transaction of Shipping and Commodities Derivatives (Zhun Zi [2015] No. 016 for Membership of Clearing House)</p> <p>Business of Liquidation Agency of RMB Interest Rate Swap (2018 Bian Han No. 8, Qing Suan Suo Fa [2018] No. 30)</p> <p>Business of Central Clearing for Credit Default Swap (2018 Bian Han No. 29)</p> <p>Comprehensive Clearing Member for the Business of Central Clearing of Standard Bond Forwards (Qing Suan Suo Fa [2018] No. 193)</p> <p>General Clearing Member of Credit Default Swap Centralized Clearing Business (2021 Bian Han No. 183)</p>
13	Shanghai Futures Exchange	<p>Copper Options Market Maker (September 2018)</p> <p>Physical Delivery Business (September 2021)</p>
14	Shanghai International Energy Exchange	<p>Crude Oil Futures Market Maker (October 2018)</p> <p>Physical Delivery Business (September 2021)</p>
15	Asset Management Association of China	Private Equity Outsourcing Institutions (Filing No. A00005)
16	China Financial Futures Exchange	CSI 300 Stock Index Options Market Maker (December 2019)
17	Shanghai Commercial Paper Exchange Corporation Ltd	Access into the Chinese commercial paper trading system (July 2020)

Section II Company Profile and Key Financial Indicators

2. Individual Business Qualifications of the Controlled Subsidiaries

No.	Name of subsidiary	Qualification Name/Membership
1	Hong Kong Subsidiaries	<p>Issued by the Securities and Futures Commission of Hong Kong</p> <p>Type 1 (dealing in securities) (1 April 2003)</p> <p>Type 2 (dealing in futures contracts) (1 April 2003)</p> <p>Type 3 (leveraged foreign exchange trading) (21 October 2010)</p> <p>Type 4 (advising on securities) (1 April 2003)</p> <p>Type 5 (advising on futures contracts) (26 November 2010)</p> <p>Type 6 (advising on corporate finance) (1 April 2003)</p> <p>Type 9 (asset management) (1 April 2003)</p> <p>Issued by The Stock Exchange of Hong Kong Limited</p> <p>Exchange Trading Right Certificate (July 2000)</p> <p>Exchange Participant Certificate (13 August 2001)</p> <p>Hong Kong Options Market Maker (2 October 2019)</p> <p>Issuer of Structured Products Listed in Hong Kong (October 31, 2019)</p> <p>China Connect Exchange Participant (10 November 2014)</p> <p>Issued by Hong Kong Securities Clearing Company Limited</p> <p>Direct Clearing Participant</p> <p>China Connect Clearing Participant (10 November 2014)</p> <p>Issued by Hong Kong Futures Exchange Limited</p> <p>Exchange Participant Certificate and Exchange Trading Right Certificate (6 March 2000)</p> <p>Issued by HKFE Clearing Corporation Limited</p> <p>Participant Certificate of Future Clearing Company (6 March 2000)</p> <p>Issued by China Securities Regulatory Commission</p> <p>Qualified Overseas Institutional Investors (21 February 2013)</p> <p>RMB Qualified Overseas Institutional Investors (11 August 2014)</p> <p>Permit for Securities and Futures Operation Business (December 2017)</p> <p>Issued by Insurance Authority</p> <p>General and long term business (including related long term insurance membership) (23 September 2019)</p> <p>Issued by Monetary Authority of Singapore</p> <p>License for Capital Market Services (Fund Management) (7 July 2020)</p> <p>License for Capital Market Services (8 October 2018)</p> <p>Issued by the Hong Kong Mandatory Provident Fund Schemes Authority</p> <p>Principal Intermediary Qualification (20 December 2012)</p> <p>Issued by the Shanghai headquarters of The People's Bank of China</p> <p>"Bond Connect" Overseas Investors Business (2017)</p> <p>Issued by Shanghai International Gold Exchange</p> <p>Class B International Membership (2020)</p> <p>Issued by Shanghai Gold Exchange</p> <p>International Membership (Class B) Qualification (2020)</p> <p>Issued by Vietnam Securities Regulatory Commission</p> <p>Securities Business License (28 August 2007)</p> <p>License for Sponsoring Securities Issuance (22 November 2021)</p>

Section II Company Profile and Key Financial Indicators

No.	Name of subsidiary	Qualification Name/Membership
2	Guotai Junan Asset Management	<p>Operation permit of securities business: securities asset management business. (Number: 10278001)</p> <p>Qualified Domestic Institutional Investor Participating in Administration of Overseas Securities Investment (Zheng Jian Ji Gou Zi [2010] No. 631)</p> <p>Asset Management Business Participating in the Trading of Stock Index Futures (Hu Zheng Jian Ji Gou Zi [2011] No. 38)</p> <p>Pilot of Cash Management Products (Zheng Jian Xu Ke [2012] No. 828)</p> <p>Qualification for Publicly Offered Securities Investment Fund Management Business (Zheng Jian Xu Ke [2020] No. 3681)</p>
3	Guotai Junan Futures and its subsidiaries	<p>Permit for Securities and Futures Operation Business (No.91310000100020711J)</p> <p>Comprehensive Settlement Business for Financial Futures (Zheng Jian Qi Huo Zi [2007] No. 148)</p> <p>Qualification for Futures Investment Consulting Business (Zheng Jian Xu Ke [2011] No. 1449)</p> <p>Asset Management Business (Zheng Jian Xu Ke [2012] No. 1506)</p> <p>Financing Contracts Services, Basis Trading, Cooperation, Hedge Pricing Services (Zhong Qi Xie Bei Zi [2015] No. 67)</p> <p>Membership Qualification of Shanghai International Energy Exchange (Shang Neng Pi Fu [2017] No. 105)</p> <p>Participant for Trading of stock SSE options (Shang Zheng Han [2018] No. 63)</p> <p>Market Making Business (Zhong Qi Xie Bei Zi [2018] No. 41)</p> <p>Dealer for Over-the-counter Options Business (August 2018)</p> <p>Commodity Exchange Business (Da Shang Suo Fa [2018] No. 494)</p> <p>Stock Options Business (Shen Zheng Han [2019] No. 722)</p> <p>Copper Options Market Maker, Gold Futures Market Makers, Corn Options Market Maker, No. 20 Rubber Futures Market Maker, Tin Futures Market Maker, Gold Options Market Maker, PTA Options Market Maker, Methanol Options Market Maker (2019)</p> <p>Linear Low Density Polyethylene Futures Market Maker, Styrene Futures Market Maker, Linear Low Density Polyethylene Options Market Maker, Polyvinyl Chloride Options Market Maker, Polypropylene Options Market Maker, Deformed Steel Bar Futures Market Maker, Natural Rubber Futures Market Maker, Soy Oil Futures Market Maker, Palm Oil Futures Market Maker, Japonica Rice Futures Market Maker, Low Sulphur Fuel Oil Futures Market Maker, International Copper Futures Market Maker, Soybean Meal Futures Market Maker (2020)</p> <p>Hot Rolled Coil Futures Market Maker, Crude Oil Options Market Maker, Ethylene Glycol Futures Market Maker, Iron Ore Futures Market Maker, Polyvinyl Chloride Futures Market Maker, Polypropylene Futures Market Maker (2021)</p>
4	Guotai Junan Innovation Investment	<p>Qualification for Private Equity Fund Manager (No.: PT2600011780)</p>

Section II Company Profile and Key Financial Indicators

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Securities Affairs Representative
Name	YU Jian	LIANG Jing
Contact address	768 Nanjing West Road, Jingan District, Shanghai	768 Nanjing West Road, Jingan District, Shanghai
Telephone	021-38676798	021-38676798
Facsimile	021-38670798	021-38670798
E-mail	dshbgs@gtjas.com	dshbgs@gtjas.com

III. BASIC INFORMATION

Registered address of the Company	No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC
Historical change in registered address of the Company	Not applicable
Office address of the Company	768 Nanjing West Road, Jingan District, Shanghai
Postal code of office address of the Company	200041
Company website	http://www.gtja.com/
Email	dshbgs@gtjas.com

IV. INFORMATION DISCLOSURE AND LOCATION FOR INSPECTION OF DOCUMENTS

Names and websites of the media for publication of the Company's annual report	China Securities Journal http://www.cs.com.cn/ ; Shanghai Securities News http://www.cnstock.com/ ; Securities Times http://www.stcn.com/ ; Securities Daily http://www.zqrb.cn/
Websites of the stock exchanges for publication of the Company's annual report	http://www.sse.com.cn/ ; http://www.hkexnews.hk/
Location for inspection of annual report of the Company	768 Nanjing West Road, Jingan District, Shanghai

V. SHARES OF THE COMPANY

Shares of the Company				
Type of share	Listing venue	Stock name	Stock code	Stock name before change
A Share	Shanghai Stock Exchange	國泰君安	601211	N/A
H Share	Hong Kong Stock Exchange	GTJA	02611	N/A

Section II Company Profile and Key Financial Indicators

VI. OTHER INFORMATION OF THE COMPANY

(I) History of the Company, mainly including the reform and restructuring, capital injections in the previous years

Applicable Not applicable

Guotai Junan was founded as a joint-stock limited company through the merger of Guotai Securities Co., Ltd. (國泰證券有限公司) and J&A Securities Co., Ltd. (君安證券有限責任公司). The brief history of the Company is as follows:

In August 1999, with the approval of the CSRC, Guotai Securities Co., Ltd. merged with J&A Securities Co., Ltd. The shareholders of Guotai Securities Co., Ltd. and J&A Securities Co., Ltd. and other investors jointly established the Company, with a registered capital of RMB3,727.18 million.

In December 2001, with the approval of the CSRC, the Company was split into two companies with independent legal status by way of split-off. The Company, as the continuing company, owned and undertook the securities businesses related assets, businesses and liabilities relating to such assets and businesses. The registered capital of the Company changed to RMB3.7 billion.

In January 2006, with the approval of the CSRC, Central Huijin Investment Ltd. subscribed for 1,000 million Shares and thus the registered capital of the Company changed to RMB4.7 billion.

In March 2012, with the approval of the Shanghai Bureau of the CSRC, the Company issued 1,400 million additional Shares and thus the registered capital changed to RMB6.1 billion.

In June 2015, with the approval of the CSRC, the Company issued 1,525 million A Shares through initial public offering, which were listed on the Shanghai Stock Exchange on 26 June 2015 and thus the registered capital changed to RMB7,625 million.

In April 2017, with the approval of the CSRC and the Hong Kong Stock Exchange, the Company issued 1,040 million H Shares, and the Company issued 48.9338 million additional H Shares upon the exercise of the over-allotment option in May 2017, and thus the registered capital changed to RMB8,713.9338 million.

In April 2019, the Company completed the placing of 194 million H Shares under a general mandate and thus the registered capital changed to RMB8,907.947954 million.

Section II Company Profile and Key Financial Indicators

(II) The organization structure of the Company

√ Applicable □ Not applicable

1. The organization chart of the Group

For the organization chart of the Group as of the end of the Reporting Period, please refer to Appendix I.

2. Subsidiaries

As of the end of the Reporting Period, the Company directly owned five domestic subsidiaries and one overseas subsidiary, the particulars of which are as follows:

No.	Name of Subsidiary	Registered Address/Domicile	Date of Establishment	Legal		
				Registered Capital/ Paid Up Capital	Representative/ Person in Charge	Contact Number
1	Guotai Junan Financial Holdings	Units 1804-1807, 18/F, Tower I, Lippo Centre, 89 Queensway, Hong Kong	10 August 2007	HK\$2.61198 billion	XIE Lebin	0852-31831118
2	Guotai Junan Asset Management	Unit 409A10, No. 381 South Suzhou Road, Huangpu District, Shanghai	27 August 2010	RMB2 billion	JIANG Wei ^{Note}	021-38676666
3	Guotai Junan Futures	29/F, 30/F, No. 669 Xinzha Road, Jing'an District, Shanghai	6 April 2000	RMB4 billion	CHEN Yutao	021-33038999
4	Guotai Junan Innovation Investment	Units 11F07-09, Bank of Shanghai Building, 168 Middle Yincheng Road, Pudong New District, Shanghai	20 May 2009	RMB7.5 billion	JIANG Wei	021-38675884
5	Guotai Junan Zhengyu	Unit 1106, No. 3255 Zhoujiazui Road, Yangpu District, Shanghai	12 February 2018	RMB3 billion	Wen Zhi	021-38672928
6	Guoxiang Properties	Floor 2-12, Main Building No.C, No. 688 Waima Road, Huangpu District, Shanghai	30 December 2011	RMB1.05 billion	MU Qing	-

Note: In January 2022, the legal representative of Guotai Junan Asset Management was changed to Mr. XIE Lebin.

3. Branch offices

As at the end of 2021, the Group had 31 securities branch offices and 16 futures branch offices in the PRC. For basic information of these branch offices, please refer to Appendix II.

Section II Company Profile and Key Financial Indicators

(III) Number and distribution of securities branches of the Company

Applicable Not applicable

As at the end of 2021, the Group had 339 securities branches and 7 futures branches in the PRC, among which, 339 securities branches were established by the Company and 7 futures branches were established by Guotai Junan Futures.

Number and distribution of securities branches of the Group in the PRC are as follows:

Province/Municipality or Region	Number of Branches	Province/Municipality or Region	Number of Branches	Province/Municipality or Region	Number of Branches
Guangdong	44	Zhejiang	25	Jiangsu	22
Shanghai	20	Jiangxi	18	Hunan	17
Hubei	15	Beijing	15	Sichuan	14
Fujian	14	Shandong	14	Chongqing	11
Hebei	10	Henan	10	Jilin	9
Gansu	9	Shanxi	7	Yunnan	7
Liaoning	7	Guizhou	6	Heilongjiang	6
Tianjin	6	Shaanxi	6	Guangxi	6
Hainan	5	Inner Mongolia	5	Anhui	5
Xinjiang	3	Qinghai	1	Ningxia	1
Tibet	1				

Number and distribution of futures branches of the Group in the PRC are as follows:

Province/Municipality or Region	Number of Branches	Province/Municipality or Region	Number of Branches	Province/Municipality or Region	Number of Branches
Shanghai	5	Beijing	1	Tianjin	1

(IV) Number and distribution of other branches

Applicable Not applicable

Section II Company Profile and Key Financial Indicators

VII. OTHER RELEVANT INFORMATION

Domestic accountant engaged by the Company	Name	KPMG Huazhen LLP
	Office address	8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, PRC
Overseas accountant engaged by the Company	Name of signing accountants	Wang Guo Bei, Yu Jing Jing
	Name	KPMG
	Office address	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Domestic legal advisor	Name of signing accountants	Chan Siu Tung
	Haiwen & Partners	
Hong Kong legal advisor	Freshfields Bruckhaus Deringer	
A Share Registrar	Shanghai Branch of China Securities Depository and Clearing Corporation	
H Share Registrar	Computershare Hong Kong Investor Services Limited	

VIII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE PAST THREE YEARS

(I) Key accounting data

Unit: thousand yuan Currency: RMB

Key accounting data	2021	2020	Movement during the current period compared with the corresponding period of last year (%)	
			last year (%)	2019
Total revenue and other income	56,411,187	46,445,340	21.46	39,049,645
Operating profit	18,573,558	14,716,419	26.21	11,270,606
Profit before income tax	19,112,281	14,871,944	28.51	11,444,619
Profit for the year attributable to equity holders of the Company	15,013,480	11,122,099	34.99	8,637,037
Net cash generated from/(used in) operating activities	-16,787,288	-4,293,374	N/A	18,800,355

Section II Company Profile and Key Financial Indicators

	At the end of 2021	At the end of 2020	Movement at the end of the current period compared with the end of the corresponding period of last year (%)	At the end of 2019
Total assets	791,272,815	702,899,172	12.57	559,314,278
Total liabilities	640,636,223	556,661,354	15.09	413,220,455
Equity attributable to equity holders of the Company	147,123,665	137,353,260	7.11	137,501,490
Share capital	8,908,450	8,908,448	0.00	8,907,948

(II) Key financial indicators

Key financial indicators	2021	2020	Movement during the current period compared with the corresponding period of last year (%)	2019
Basic earnings per share (RMB/share)	1.65	1.20	37.50	0.90
Diluted earnings per share (RMB/share)	1.62	1.19	36.13	0.90
Weighted average return on net assets (%)	11.05	8.54	Increase by 2.51 percentage points	6.75
Net assets per share attributable to equity holders of the Company (RMB/share)	16.52	15.44	6.99	15.44
Gearing ratio (%)	75.64	73.19	Increase by 2.45 percentage points	67.53

Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage customers – Proceeds from underwriting securities received on behalf of customers)/(total assets – accounts payable to brokerage customers – Proceeds from underwriting securities received on behalf of customers)

Note 2: As at 31 December 2021, the equity attributable to equity holders of the Company was RMB147.124 billion, the share capital was 8.908 billion shares and the treasury shares cancelled upon approval from the board and not yet registered with the industrial and commercial department were 2 million shares, and net assets per share of the Company amounted to RMB16.52 as calculated by the formula “net assets per share = equity attributable to equity holders of the Company/ share capital (net of treasury shares for which cancellation had been announced but business registration had not been completed)”.

Section II Company Profile and Key Financial Indicators

(III) Net capital and risk control indicators of the parent company

Unit: thousand yuan Currency: RMB

Item	At the end of the Reporting Period	At the end of last year
Net capital	95,023,120	88,499,902
Net assets	131,318,186	124,319,763
Risk coverage ratio (%)	190.16	239.61
Capital leverage ratio (%)	20.09	24.28
Liquidity coverage ratio (%)	248.05	210.95
Net stable funding ratio (%)	130.54	140.17
Net capital/Net assets (%)	72.36	71.19
Net capital/Liabilities (%)	24.65	30.33
Net assets/Liabilities (%)	34.06	42.60
Equity securities and derivatives held/Net capital (%)	41.76	40.29
Non-equity securities and derivatives held/Net capital (%)	303.80	263.91

(IV) Key accounting data and financial indicators for the last 5 years

1 Profitability

Unit: thousand yuan Currency: RMB

	2021	2020	2019	2018	2017
Total revenue and other income	56,411,187	46,445,340	39,049,645	31,229,385	32,953,352
Total expenses	37,837,629	31,728,921	27,779,039	22,088,588	19,306,804
Profit before income tax	19,112,281	14,871,944	11,444,619	9,268,342	13,661,308
Profit for the year attributable to equity holders of the Company	15,013,480	11,122,099	8,637,037	6,708,116	9,881,545

Section II Company Profile and Key Financial Indicators

2 Assets

Unit: thousand yuan Currency: RMB

	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Share capital	8,908,450	8,908,448	8,907,948	8,713,941	8,713,934
Total equity	150,636,592	146,237,818	146,093,823	133,673,392	133,695,223
Equity attributable to equity holders of the Company	147,123,665	137,353,260	137,501,490	123,450,063	123,127,983
Total liabilities	640,636,223	556,661,354	413,220,455	303,055,688	297,952,964
Accounts payable to brokerage customers	172,483,608	157,408,158	109,336,526	82,347,043	84,356,232
Total assets	791,272,815	702,899,172	559,314,278	436,729,080	431,648,187
Basic earnings per share (RMB/share)	1.65	1.20	0.90	0.70	1.11
Diluted earnings per share (RMB/share)	1.62	1.19	0.90	0.70	1.10
Weighted average return on net assets (%)	11.05	8.54	6.75	5.42	9.05
Gearing ratio (%)	75.64	73.19	67.53	62.28	61.50

IX. DIFFERENCES OF ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

(I) Differences between the net profit and net assets attributable to the shareholders of the listed company in the financial statements disclosed in accordance with International Accounting Standards and China Accounting Standards for Business Enterprises

Applicable Not applicable

(II) Differences between the net profit and net assets attributable to the shareholders of the listed company in the financial statements disclosed in accordance with overseas accounting standards and China Accounting Standards for Business Enterprises

Applicable Not applicable

(III) Explanation on the differences between domestic and overseas accounting standards

Applicable Not applicable

Section III Discussion and Analysis of the Board of Directors

I. DISCUSSION AND ANALYSIS OF OPERATION CONDITION

(I) Overall operation condition

Year 2021 is the connecting year of the “first three-year” along the strategic pathway of “Nine-Year Strategic Plan in 3 Three-Year Steps” of the Group. Facing complicated external environment, the Group adhered to the general principle of “making progress while maintaining stability”, fully implemented the requirements of “integrated services, digital operations, international layout and group management”, insisted on seeking motivation from reform, vitality from talents, efficiency from management and development from innovation, proactively grasped market opportunities, deepened reform and transformation, optimized strategic layout, vigorously solidified the foundation and remedied the shortcomings of its businesses, completed the key tasks of the “first three-year”, consolidated the foundation to achieve high-quality development of the Company, made significant progress in product sales and the building of investment and consulting team of wealth management business, gradually shaped the “investment banking +” ecosystem of the investment banking business, initially established the effectiveness of institutional and transactional business organization innovation, successfully completed the issuance of the first batch of mutual funds of the asset management business, and steadily improved the cross-border synergy of international business, to promote the Group’s operating results growing steadily.

During the Reporting Period, the Group further improved the corporate governance structure. The Board and the Supervisory Committee successfully completed the re-election and implemented the public selection and appointment of professional managers. The members became more professional, diversified, international and younger. Focusing on the three major customer groups of retail, corporate and institutional customers, the Group optimized its organizational structure and supporting operational mechanism, gave full play to the collaborative functions of the four collaborative development committees, promoted the high-quality development of branches, further enhanced the coordination and cooperation consciousness, and gradually highlighted the advantages of the integrated financial service platform. The Group strengthened the top-level design of digital transformation, developed the vision of “SMART investment banking”, formulated and implemented the “Comprehensive Digital Transformation Plan” and steadily promoted comprehensive digital transformation. The Group deepened the reform of human resources, completed the granting of reserved Restricted A Shares, and achieved positive progress in, amongst others, the building of cadre and talent team, management of human resources and optimization of appraisal and incentive mechanism. The Group improved the management and control of compliance risks in key areas, continued to promote group-based unified management and control, and enhanced the group-based compliance and risk control management capabilities, and was selected into the “white list” of the first batch of securities companies. The middle and back-office management has been more intensified, refined and professionalized while the management of supporting departments achieved remarkable progress both in the awareness of empowerment and its effects. So far, the Company has attained the Grade AA rating in Class A from the CSRC for 14 consecutive years and maintained international credit ratings at BBB+ by Standard & Poor and Baa1 by Moody with the outlook of the Company being “stable”.

Section III Discussion and Analysis of the Board of Directors

(II) Analysis of operating of principal businesses

1. Wealth management business

(1) Retail brokerage and wealth management

According to the statistics of SSE and SZSE, in 2021, the trading volume of stock market in SSE and SZSE was RMB257.97 trillion, representing an increase of 24.7% compared with the corresponding period of last year.

In 2021, the Group continued to improve the retail customer service system, focused on building a retail customer technology platform, continuously optimized collaboration mechanism for financial products, strengthened the standardization of branches of operation websites and the building of professional investment and consulting team, and accelerated wealth management high-quality transformation and development. As such, the Group's customer base was further consolidated, its traditional brokerage business maintained leading position in the industry, and the financial product sales and investment advisory business developed rapidly. At the end of the Reporting Period, there were 37.90 million users of Junhong APP, an increase of 3.7% from the end of last year, and average monthly active users recorded an increase of 19.0% from the corresponding period of last year. The number of affluent customers and high-net-worth customers increased by 21.3% from the end of last year; a total of 3,411 persons were qualified as investment consultants, representing an increase of 8.0% from the end of last year, ranking the third in the industry; the number of customers served by the investment consultants was over 150,000; the asset size of customers served at the end of the period was RMB8.3 billion. During the Reporting Period, the sales of financial products was RMB683.9 billion^{Note}, and the monthly average size of financial products was RMB183.6 billion. According to the statistics of the SAC calculated on the basis of parent company, the Company had a market share of 5.86% in terms of net revenue from the securities brokerage business, continued to rank the top in the industry.

Note: Statistical calibers of the sales and size of financial products includes mutual fund, private funds, trust products, bank wealth management products, asset management products, futures asset management products. The data caliber compared with the corresponding period of last year was adjusted accordingly. Below is the same.

Section III Discussion and Analysis of the Board of Directors

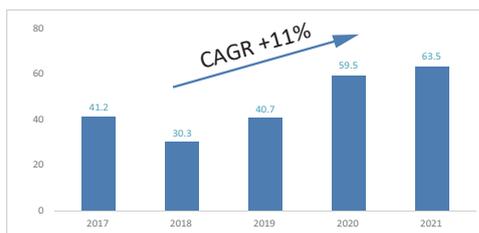
Change in the scale of the Group's securities brokerage business in 2021 (Unit: RMB100 million)

	Item	Reporting Period	Corresponding period of last year
Stocks	Trading amount	223,962	175,582
	Market share	4.34%	4.24%
Securities investment funds	Trading amount	9,535	7,905
	Market share	2.60%	2.90%
Bond	Trading amount	467,207	349,727
	Market share	6.16%	5.70%

Source: SSE, SZSE. Bond includes spot and repurchase.

Note: As Shanghai Securities were no longer consolidated during the Reporting Period, the data caliber compared with the corresponding period of last year was adjusted accordingly. Below is the same.

Net income from the securities brokerage business (RMB100 million)



Average monthly scale of agency sales of financial products (RMB100 million)



Source: the Company's business data. The net income from the securities brokerage business calculated on the parent-company statistical caliber

(2) *Futures brokerage*

According to the statistics of China Futures Association, in 2021, the cumulative trading volume of futures market (unilateral) was RMB581.20 trillion, representing an increase of 32.8% compared with the corresponding period of last year.

Section III Discussion and Analysis of the Board of Directors

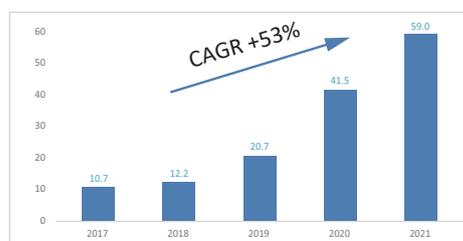
In 2021, focusing on the construction of core capabilities in financial technology, wealth management and risk management, Guotai Junan Futures strengthened its institutional customer service, the share of financial and commodity futures increased steadily, and the profitability of risk management business was significantly enhanced. Guotai Junan Futures focused on international development and officially established a subsidiary in Singapore. During the Reporting Period, the futures transaction amount of Guotai Junan Futures increased by 42% compared with the corresponding period of last year, with a market share of 5.07%, an increase of 0.33% from the corresponding period of last year, among which, the market share of transaction amount of financial futures amounted to 9.74%, an increase of 2.26 percentage points from the end of last year, ranking the first in the industry. As at the end of the Reporting Period, the scale of customer equity was RMB78.6 billion, an increase of 48.9% from the end of last year, ranking the second in the industry.

Major business indicators of Guotai Junan Futures in 2021

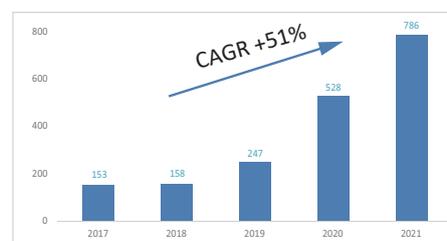
Item	Reporting Period	Corresponding period of last year
Transaction amount (RMB trillion)	58.97	41.52
Number of board lots (100 million)	6.02	4.97
	At the end of the Reporting Period	At the end of last year
Cumulative effective accounts opened (unit)	156,958	133,804
Customer equity at the end of the period (RMB100 million)	786	528.0

Source: the website of China Futures Association, the Company's business data.

Transaction amount of Guotai Junan Futures (RMB trillion)



Customer equity of Guotai Junan Futures as at the end of the period (RMB100 million)



Source: the Company's business data.

Section III Discussion and Analysis of the Board of Directors

(3) Margin financing and securities lending business

According to the statistics of China Securities Finance Corporation Limited, as at the end of 2021, the balance of margin financing and securities lending in the market amounted to RMB1,832.152 billion, an increase of 13.2% from the end of last year, in which, the balance of margin financing amounted to RMB1,712.006 billion, an increase of 15.5% from the end of last year and the balance of securities lending amounted to RMB120.147 billion, a decrease of 12.3% from the end of last year.

In 2021, on the basis of adhering to counter-cyclical adjustment in respect of its margin financing and securities lending business, the Group focused on key customer demand scenarios and improved the integrated financial services for institutional customers, as a result, the proportion of the balance of margin financing and securities lending from institutional customers grew at a stable pace. Meanwhile, the Group vigorously expanded the securities sources of securities lending, and strengthened the management of proprietary bond sources, with the utilization rate of bond sources increasing significantly. At the end of the Reporting Period, the balance of the Group's margin financing and securities lending amounted to RMB104.040 billion, an increase of 17.6% from the end of last year, with a market share of 5.68%, an increase of 0.22% from last year, and the maintained margin ratio at 311%. Among which, the balance of margin financing amounted to RMB96.694 billion, an increase of 21.5% from the end of last year, with a market share of 5.65%, ranking third in the industry, and the balance of securities lending amounted to RMB7.346 billion, a decrease of 17.2% from the end of last year, with a market share of 6.11%. The balance of the margin financing and securities lending from institutional customers amounted to RMB30.061 billion, an increase of 21.9% from the end of last year.

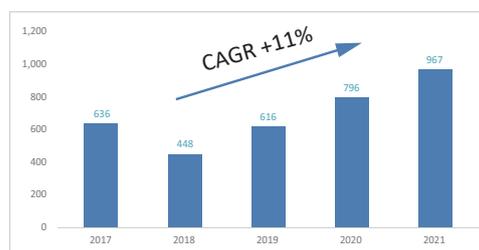
Scale of the Group's margin financing and securities lending business as at the end of 2021 (Unit: RMB100 million)

Item	At the end of the Reporting Period	At the end of last year
Balance of margin loans	966.94	795.73
Market value of securities lending	73.46	88.73
Balance of margin refinancing	30.00	20.00
Balance of securities refinancing	71.93	108.25

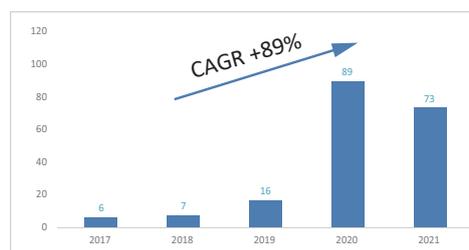
Source: the Company's business data.

Section III Discussion and Analysis of the Board of Directors

**Balance of margin loans
(RMB100 million)**



**Market value of securities lending
(RMB100 million)**



Source: the Company's business data.

(4) Stock pledging business

According to the statistics of the SAC, as at the end of 2021, the margin loans for stock pledged financing in the securities industry was RMB227.015 billion, a decrease of 24.6% from the end of last year.

In 2021, the Group's stock pledging business adhered to steady and prudent operation, by improving professionalized capabilities and the diversified and innovated business models, actively introduced high-quality customers, continuously optimized its asset and business structure and achieved smooth and steady improvement in asset quality. At the end of the Reporting Period, the outstanding balance to be repurchased of the Group's stock pledging business was RMB30.416 billion, a decrease of 13.4% from the end of last year, among which the balance of margin loans was RMB26.886 billion, a decrease of 8.0% from the end of last year. The average collateral coverage ratio was 318% and the scale of stock pledged financing, an asset management product managed by the Group, was RMB3.530 billion. The outstanding balance of agreed securities repurchase transactions was RMB1.599 billion, an increase of 61.0% from the end of last year.

Scale of the Group's stock pledging and securities repurchase business as at the end of 2021 (Unit: RMB100 million)

Item	At the end of the Reporting Period	At the end of last year
Outstanding balance of the stock pledging business	304.16	351.23
Including: Margin loans for stock pledged financing	268.86	292.18
Outstanding balance of securities repurchase	15.99	9.93

Source: the Company's business data.

Section III Discussion and Analysis of the Board of Directors

2. Investment banking business

In 2021, the total financing amount underwritten by securities companies was RMB12,696.898 billion, representing an increase of 14.5% compared with the same period of last year according to Wind and other statistics. In particular, the total equity financing amount was RMB1,588.327 billion, representing an increase of 20.5% compared with the same period of last year. The total debt financing underwritten by securities companies was RMB11,108.569 billion, representing an increase of 13.7% compared with the same period of last year. The amount of M&A transactions as approved/registered by the CSRC was RMB251.606 billion, representing a decrease of 13.5% compared with the same period of last year.

In 2021, in respect of its investment banking business, the Group deepened divisional system reform, focusing on key industries, key areas and main products, with effectiveness of remedying IPO shortcomings and significant increase of project reserve, the ecosystem of “investment banking +” was gradually taking shape. During the Reporting Period, the Group’s lead underwriting amount of securities was RMB942.415 billion, representing an increase of 16.5% compared with the same period of last year, ranking the fifth in the industry. In particular, the underwriting amount of equity interest was RMB101.577 billion, representing a decrease of 0.83% compared with the same period of last year and ranking the fifth in the industry. In terms of IPO business, the Company had underwriting amount of RMB30.283 billion, representing an increase of 39.6% compared with the same period of last year, with its market share of 5.05% and ranking the sixth in the industry. The underwriting amount of bonds was RMB840.837 billion, representing an increase of 19.0% compared with the same period of last year and ranking the fourth in the industry, in which, the underwriting amount of corporate bonds was RMB217.772 billion, representing an increase of 22.4% compared with the same period of last year and ranking the third in the industry, and the underwriting amount of financial bonds was RMB240.877 billion, representing an increase of 11.6% compared with the same period of last year and ranking the fourth in the industry. The M&A and restructuring projects as approved/registered by the CSRC involved a transaction amount of RMB15.635 billion, which remained the same compared with the same period of last year and ranking the fifth in the industry.

Section III Discussion and Analysis of the Board of Directors

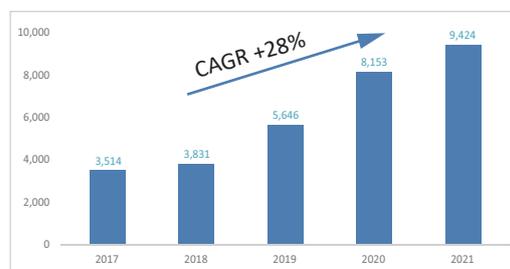
Scale of the Group's investment banking business in 2021

	Item	Reporting Period	Corresponding period of last year
IPO	Number of lead underwritings	25	22
	Amount of lead underwritings (RMB100 million)	302.83	216.86
Refinancing	Number of lead underwritings	47	41
	Amount of lead underwritings (RMB100 million)	712.95	807.36
Enterprise bonds	Number of lead underwritings	51	49
	Amount of lead underwritings (RMB100 million)	320.80	333.18
Corporate bonds	Number of lead underwritings	455	349
	Amount of lead underwritings (RMB100 million)	2,177.72	1,778.89
Financial bonds	Number of lead underwritings	118	119
	Amount of lead underwritings (RMB100 million)	2,408.77	2,158.07
Other bonds	Number of lead underwritings	1,241	1,467
	Amount of lead underwritings (RMB100 million)	3,501.08	2,794.15

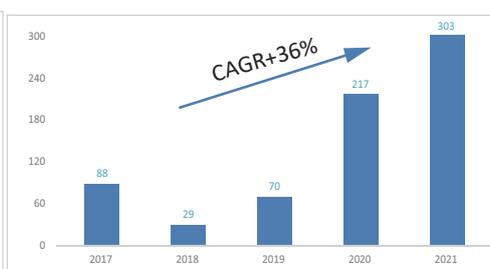
Source: Wind

Note: Statistical calibers of the financing products include IPO, new issuance, allotment of shares, preferred shares, convertible bonds, exchangeable bonds, corporate bonds, enterprise bonds (including bonds issued by government-backed agencies), local government bonds, short-term financing bills, medium-term notes, private placement notes, financial bonds and ABS.

**Amount of lead underwriting of securities
(RMB100 million)**



**Amount of lead underwriting
of IPO (RMB100 million)**



Source: Wind.

Section III Discussion and Analysis of the Board of Directors

3. Institution and Transaction Business

(1) *Research Business*

In 2021, the Group's research business strengthened the establishment of research team, created differentiated competitive advantages of seller research, and enhanced research service capabilities for business development. During the Reporting Period, a total of 6,728 research reports were completed, 1,025 teleconferences were held and 13,321 institutional customers participated in our online and offline roadshows.

(2) *Institution brokerage business*

In 2021, in order to address comprehensive needs of institution clients, the Group strengthened service to leading institutions, through innovating institution customer service model and continuously deepening synergistic collaboration. As such, the Group fully enhanced its comprehensive capabilities to serve different types of institution clients, with a steady increase in its coverage of institution clients. At the end of the Reporting Period, the number of institution clients amounted to 53,000, representing an increase of 11.0% as compared with the end of last year. The comprehensive service model of public offering business was gradually improved, and seat leasing revenue grew rapidly. PB prime brokers business provided a market-leading trading environment for institutional customers and optimized the rapid trading platform for quantitative transactions, leading to an increasingly manifest effect of customer aggregation and a steady expansion of transaction scale. More efforts were made to expand oversea clients under QFII business sector, making a significant progress in comprehensive service capability. The cooperation with bank wealth management subsidiaries and insurance institutions also made positive progress. The custodian and outsourcing business strengthened customer service and operations management, deepened the layout in international market, maintaining an ongoing and rapid growth in business scale. The existing scale and aggregated trading volume of brokerage transaction settlement increased significantly. During the Reporting Period, the transaction volume of PB trading system amounted to RMB6.0 trillion, representing an increase of 143.4% as compared with the same period of last year. The customer asset size at the end of the Reporting Period was RMB443.961 billion, representing an increase of 52.6% as compared with the end of last year. Under the custodian business, 15,586 products of various type were provided, representing an increase of 49.6% as compared with the end of last year; while 14,715 products of various type were provided under the outsourcing business, representing an increase of 42.9% as compared with the end of last year, the asset size of the custodian and the outsourcing businesses reached RMB2,813.1 billion, representing an increase of 52.3% as compared with the end of last year. Among such business section, the number of private funds under custodianship ranked the second in the securities industry and the assets under our custody from mutual funds amounted to RMB138.8 billion, continued to rank the first among securities companies.

Section III Discussion and Analysis of the Board of Directors

**Customer asset scale under the PB trading system
(RMB100 million)**



**Assets under custody and outsourcing services
(RMB100 million)**



Source: the Company's business data.

(3) Trading and investment business

According to Wind statistics, in 2021, CSI 300 Index declined by 5.2% and ChinaBond Total Net Price (Total Value) Index rose by 2.23%, the middle exchange rate of USD against RMB decreased by 2.55%, and Nanhua Commodity Index rose by 20.94%.

The Group's trading and investment business continued to center on the idea of an "outstanding financial asset trader" and adhered to developing the low risk and non-directional businesses, steadily enhanced the transaction pricing ability and the customer service ability, and actively transformed itself to customer demand-oriented business, with business scale growing rapidly.

In respect of the equity business, with moderate investment style, the Group implemented of both relative return strategy and absolute return strategy. The market-making business of Exchange-traded options continued to maintain a leading position in the industry. The ETF market-making varieties and scale increased significantly. For the OTC equity derivatives business, the Group actively solidify the foundation through business model optimization, structured product lines diversification, such as Xueqiu, customer-oriented cross-border service capability enhancement, thereby achieving significant improvement in business scale and profitability and industry leading position in terms of trading scale of OTC derivatives, the fixed growth segment. In 2021, the cumulative amount of additional nominal principal amount of OTC equity derivatives amounted to RMB389.112 billion, representing a year-on-year increase of 80.3%, of which the cumulative amount of additional OTC options was RMB190.751 billion, and the cumulative amount of additional return swaps was RMB198.361 billion. At the end of the Reporting Period, the nominal principal amount of OTC equity derivatives was RMB152.867 billion, of which the balancing amount of OTC options was RMB57.075 billion, the balancing amount of return swaps was RMB95.792 billion, the cumulative amount of additional nominal principal of cross-border equity OTC derivatives of this year reached RMB148.791 billion, representing a year-on-year increase of 338.8%, and the balance of nominal principal at the end of the Reporting Period was RMB55.082 billion, representing an increase of 570.3% compared with the end of last year.

Section III Discussion and Analysis of the Board of Directors

In respect of the fixed income business, the Group accurately grasped the market allocation and volatile transaction opportunities in the domestic and overseas markets, actively reserved high-quality assets such as publicly-raised REITs, to achieve better performance. In 2021, Bond Connect had a market share of 5.44%, ranking the second among securities companies in the overall market, and was awarded the “Excellent Bond Connect Market Maker” for 2021; the cumulative trading volume of inter-bank standard interest rate options was approximately RMB21.7 billion the cumulative trading volume of interest rate swaps was RMB1.97 trillion, representing a year-on-year increase of 8.2%, ranking in the tops in the market. In respect of the customer demand-oriented business, the Group strengthened the development of the OTC financial cloud and the “Guotai Junan Risk Hedging (國泰君安避險)” brand, and accelerated the pace of product innovation. The linked subjects of customer demand-oriented products were continuously enriched, and the business scale grew steadily. In respect of the structured notes business, the Group focused on developing products linked to subjects such as the major assets indexes, REITs and LPR. The cumulative trading volume of return swap business recorded a year-on-year increase exceeding 100%, and the newly increased asset scale of credit derivatives business was RMB5.233 billion, and the Company was among the first batch of institutions to obtain the qualification to establish a qualified institution for credit-protected bond pledge repurchase business, ranking first in the market in terms of establishment scale. The Group also completed the first CDS index transaction of private enterprise in the PRC market.

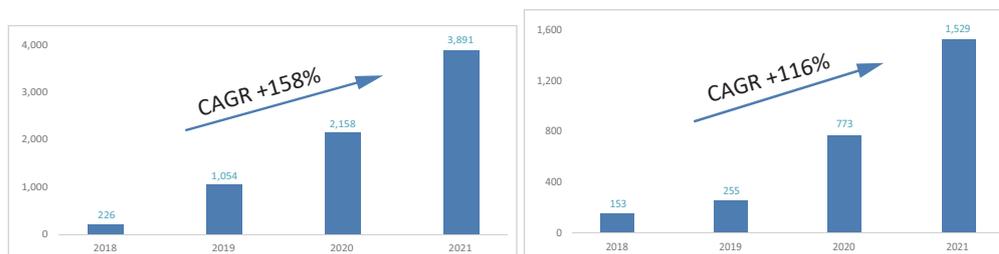
In respect of the foreign exchange business, the Group steadily carried out the RMB foreign exchange proprietary and foreign currency hedging trading business and continuously enriched its trading strategies to increase the trading level of derivatives such as swaps and options. While gradually getting start our customer foreign exchange business, which focuses on cross-border investment and financing, the background business, our foreign exchange option trading volume for licensed institutional customers increased rapidly.

In respect of the commodities business, the Group continued the promotion of exchange-traded proprietary trading of precious metals and commodities, inter-period arbitrage and cross-border OTC derivatives trading business. During the Reporting Period, the cumulative amount of additional nominal principal amount of OTC options linked to relevant subjects amounted to RMB152.270 billion.

In relation to carbon finance business, the Group actively focused on CCER and pilot market trading products, strived to build pricing capability of carbon emission and has become the key participant and pricing institution in the domestic carbon market. During the Reporting Period, the Group issued the first beneficiary certificates linked to carbon emission quota in the industry.

Section III Discussion and Analysis of the Board of Directors

Additional amount of OTC equity derivatives (RMB100 million) **Closing balance of OTC equity derivatives (RMB100 million)**



Source: the Company's business data.

(4) Equity investment business

In 2021, Guotai Junan Zhengyu focused on the group strategic layout and key industries, systematically optimized the industrial investment layout, and actively promoted the co-investment of Sci-Tech Innovation Board and ChiNext projects. As at the end of the Reporting Period, it had 47 investment projects in aggregate with a total investment amount of RMB2.843 billion, of which there were 21 co-investment of Sci-Tech Innovation Board and ChiNext projects in total with a co-investment amount of RMB947 million.

Overview of equity investment business of Guotai Junan Zhengyu as at the end of 2021

	At the end of the Reporting Period	At the end of last year
Accumulated number of investment projects (unit)	47	24
Accumulated amount of investment projects (RMB100 million)	28.43	16.37

Source: the Company's business data.

Section III Discussion and Analysis of the Board of Directors

4. Investment management

(1) Asset management

According to the statistics of the SAC, as of the end of 2021, assets under management of securities companies were RMB10.8 trillion in aggregate, an increase of 3.7% from the end of last year.

In 2021, Guotai Junan Asset Management accelerated the pace of building a series of investment and research systems, strengthened the building of core talent team, and fully expanded market channels, achieved initial success in the public offering transformation of the investment and research system, and the layout of public offering products started smoothly. During the year, six public offering products were newly issued, with the proceeds of over RMB6.5 billion and products cover multiple categories, including index enhancement, bond, hybrid and FOF. It had undergone the public offering transformation for total 10 large-scale collective products and completed the rectification of products under the new regulations on asset management. As at the end of the Reporting Period, assets under management of Guotai Junan Asset Management amounted to RMB384.225 billion, a decrease of 26.9% from the end of last year, among which, the scale of collective asset management amounted to RMB106.810 billion, representing an increase of 17.0% from the end of last year; the scale of specialized asset management amounted to RMB110.120 billion, representing an increase of 35.8% from the end of last year; the mutual funds management business amounted to RMB24.118 billion.

Assets under management of Guotai Junan Asset Management as at the end of 2021 (Unit: RMB100 million)

Business categories	At the end of the Reporting Period	At the end of last year
Scale of targeted asset management business	1,431.77	3,534.40
Scale of collective asset management business	1,068.10	912.71
Scale of specialized asset management business	1,101.20	810.91
Scale of mutual funds management business	241.18	0

Note: The calculation of the scale of collective asset management business is based on net assets under management.

Source: The Company's business data.

Section III Discussion and Analysis of the Board of Directors

(2) Private equity fund management

According to the statistics of the Asset Management Association of China, as of the end of 2021, there were 15,012 private equity/venture investment fund managers registered with the Asset Management Association of China who managed 30,801 private equity investment funds and had a scale of RMB10.51 trillion, an increase of 11.1% from the end of last year.

In 2021, Guotai Junan Innovation Investment focused on building the capacities of fund-raising, investment, management and withdrawal by further developing the market of key industries, putting more efforts in exploring high-quality projects, and motivating better performance in investment through differentiated portfolios of investment and value creation strategies. During the Reporting Period, 17 new investment projects (including sub-funds) were established under its funds. Guotai Junan Fund of Funds focused on key industries to proceed with external investments steadily. As at the end of the Reporting Period, the subscription amount for external investments was RMB3.67 billion.

Overview of Guotai Junan Innovation Investment private equity fund business as at the end of 2021

	At the end of the Reporting Period	At the end of last year
Number of managed funds (unit)	40	41
Cumulative committed capital of managed funds (RMB100 million)	429.02	428.62
Cumulative paid-in capital of managed funds (RMB100 million)	388.35	348.02
Cumulative number of investment projects (unit)	126	109
Cumulative amount of investment projects (RMB100 million)	162.39	142.59

Source: the Company's business data.

Section III Discussion and Analysis of the Board of Directors

(3) Fund management

According to the statistics of the Asset Management Association of China, as at the end of 2021, the assets under management (AUM) of mutual funds management institutions was RMB25.56 trillion, representing an increase of 28.5% compared with the end of the last year, among which assets under management of non-monetary funds was RMB16.09 trillion, representing an increase of 35.9% compared with the end of the last year.

In 2021, by enhancing its product and business innovation and deepening its development of core investment and research capacity, HuaAn Funds experienced a good investment performance and recorded a steady growth of the scale of AUM and the profitability. As at the end of the Reporting Period, assets under management of HuaAn Funds amounted to RMB650.426 billion, representing an increase of 24.0% compared with the end of last year. In particular, the asset under management of mutual funds was RMB596.826 billion, an increase of 26.9% compared with the end of last year, the assets under management of non-monetary funds was RMB382.293 billion, representing an increase of 38.4% compared with the end of last year.

Scale of assets under management of HuaAn Funds in 2021 (Unit: RMB100 million)

	At the end of the Reporting Period	At the end of last year
Scale of assets under management	6,504.26	5,243.28
Scale of assets under management of mutual funds	5,968.62	4,701.62
Scale of assets under management of non-monetary mutual funds	3,822.93	2,762.41
Scale of assets under management of non-mutual funds	535.64	541.66

Source: the Company's business data.

Section III Discussion and Analysis of the Board of Directors

5. International Business

The Group conducted brokerage, corporate finance, asset management, loans and financing, financial products, market-making and investment business in Hong Kong, mainly through Guotai Junan International. The Group has also actively expanded presence into the United States, Europe and South-east Asia. In 2021, Guotai Junan International optimized its revenue structure and customer base, improved its cross-border coordination mechanism, and promoted the growth of its wealth management business and capital-based intermediary business. As a result, our comprehensive competitiveness continued to stay at the forefront of Chinese securities companies in Hong Kong. As at the end of the Reporting Period, the custody assets from customers amounted to HK\$235.1 billion, representing an increase of 14% compared with the end of last year, among which the custody assets from wealth management customers amounted to HK\$47.9 billion, representing an increase of 36% compared with the end of last year.

Major components of revenue of Guotai Junan International for 2021 (Unit: HK\$'000)

Item	During the Reporting Period	During the same period of last year
Fee and commission income	1,626,079	1,563,672
Interest income	2,280,539	2,652,075
Net trading and investment income	59,797	657,205
Revenue	<u>3,966,415</u>	<u>4,872,952</u>

Section III Discussion and Analysis of the Board of Directors

II. DESCRIPTION OF INDUSTRY CONDITIONS OF THE COMPANY DURING THE REPORTING PERIOD

Over the past three decades, with the development of the PRC securities market, the PRC securities industry has continued to standardize and expand. The securities companies have gradually accelerated their pace of innovation, expanded their business scope, improved their profitability and enhanced their risk resistance capacity. Meanwhile, the profitability of the PRC securities industry is driven by brokerage, proprietary trading, underwriting, margin trading and asset management businesses. This leads to the revenue and profits of the industry being more dependent on the trends of the securities market. Along with the change in the booming cycle of the securities market, the profit level of the PRC securities industry also experienced substantial fluctuations, clearly reflecting a strong cyclical nature.

In recent years, the comprehensive deepening of reform and opening up of capital market has brought new development opportunity to the securities businesses, the industry has returned to an upward cycle. In 2021, with the merger between the Mainboard and the SME Board of the SZSE, the establishment of the Beijing Stock Exchange and the implementation of the new delisting regulations, the registration system reform and the construction of multi-level capital market were further improved. The Cross-boundary Wealth Management Connect Scheme and the Southbound Trading under Bond Connect were launched successively, and the connectivity between domestic and overseas markets continued to deepen. China's capital market has entered a new stage of more open, inclusive and high-quality development. The number of IPO issuers and issuance scale in the primary market and the trading volume of shares and funds in the secondary market have reached historical highs. The asset management market developed rapidly, and the scale of margin financing and securities lending and over-the-counter derivatives continued to grow. In respect of industry regulation, with further deepening the reform of decentralization, management and services and adhering to strict supervision and zero tolerance for illegal activities, a white list system was introduced, and the first batch of pilot optimization for account management function was conducted, and the pilot fund investment advisory was expanded. The Administrative Measures for the Total Return Swap Business of Securities Companies was issued to strengthen the clear orientation of supporting the superior and limiting the inferior, for opening up the development space for high-quality institutions and stimulating the vitality of innovation. The asset scale of the securities industry grew steadily and the performance improved significantly. According to the statistics of the SAC, as of 31 December 2021, the total assets, net assets and net capital of the PRC securities industry amounted to RMB10.59 trillion, RMB2.57 trillion and RMB2.00 trillion, respectively, representing an increase of 19.1%, 11.3% and 9.9% respectively compared with the end of last year; in 2021, the PRC securities industry recorded an operating revenue of RMB502.410 billion and a net profit of RMB191.119 billion, representing an increase of 12.0% and 21.3% respectively compared with the corresponding period of last year.

In the long run, with the accelerated establishment of a new development pattern of domestic circulation and domestic and international dual circulation, the status of the capital market hub has been increasing, and the PRC securities industry is still in the historic period which offers opportunities for rapid development. The development of the capital market and the reform and opening-up of the financial system shall provide the industry with broad development room. Driven by the reform of the comprehensive registration system, the construction of multi-level capital market has become clearer, the shortcomings of basic system of the capital market have been continuously remedied, and the capacity building on the investment side has accelerated. Business opportunities for retail, corporate and institutional customers will emerge in an all-round way, and the securities industry of China will gradually show a development trend of service integration, differentiated developments, international competition and operation digitalization.

Section III Discussion and Analysis of the Board of Directors

III. DESCRIPTION OF PRINCIPAL BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

Driven by customer demand, the Group has established a retail, corporate and institutional customer service system, forming the business segments covering wealth management business, investment banking business, institutional and trading business, investment management business and international business. The Group generates income of fees and commissions and interest income mainly through the provision of securities products or services and receives investment gains through securities or equity investments.

In terms of specific businesses:

Our wealth management business mainly provides securities and futures brokerage, financial products, investment advisory, margin financing and securities lending, agreed securities repurchase, stock pledging and other services to clients;

Our investment banking business mainly provides listing sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory and diversified corporate solutions to corporate and governmental clients;

Our institutional and trading business mainly consists of institutional brokerage, trading and investment and equity investment. Among which, institutional brokerage mainly provides prime brokers, seat leasing, custody and outsourcing, QFII and other services to institutional clients; Our trading and investment business mainly includes investment transactions in stocks, fixed income, foreign exchange, large commodities and their derivative financial instruments, as well as providing integrated financial solutions for clients' investment, financing and risk management;

Our investment management business provides asset management and fund management services to institutions and individuals;

The international business conducts brokerage, corporate finance, asset management, loans and financing services, as well as financial products, market making and investment businesses mainly through Guotai Junan International in Hong Kong, and has expanded its business presence into the United States, Europe, Southeast Asia and other regions.

In 2021, the Group recorded total revenue and other income of RMB56.411 billion, representing an increase of 21.46% compared with the same period of last year. Profit for the year attributable to equity holders of the Company was RMB15.013 billion, representing an increase of 34.99% compared with the same period of last year. The growth rate was faster than the average level of the securities industry. In particular, the institutional and trading business and wealth management business recorded a year-on-year growth of 45.13% and 18.00%, respectively, which were the main factors driving the growth of the performance.

Section III Discussion and Analysis of the Board of Directors

The Group's business composition and income drivers for 2021

Principal business category	Total revenue and other income (RMB'000)	Increase Compared with the same period of last year (%)	Contribution to total revenue and other income (%)
Wealth management	22,410,634	18.00	39.73
Investment banking	3,736,176	11.24	6.62
Institutional and trading	24,117,664	45.13	42.75
Investment management	1,833,059	-13.95	3.25
International business	3,661,689	-21.70	6.49
Other	651,965	-2.77	1.16
Total	56,411,187	21.46	100.00

Significant changes in the Company's major assets during the Reporting Period

At the end of December 2021, the total assets of the Group amounted to RMB791.273 billion, representing an increase of 12.57% compared with that in the end of last year. Among our total assets: financial assets at fair value through profit or loss amounted to RMB284.385 billion, representing an increase of 24.33% compared with that in the end of last year, mainly due to the adjustment by the Group of the trading and investment structure; cash held on behalf of brokerage customers amounted to RMB151.179 billion, representing an increase of 8.51% compared with that in the end of last year, mainly due to fluctuations in the securities market conditions; refundable deposits amounted to RMB40.796 billion, representing an increase of 38.69% compared with that in the end of last year, mainly due to fluctuations in the securities market conditions; equity instruments at fair value through other comprehensive income amounted to RMB2.48 billion, representing a decrease of 85.94% compared with that in the end of last year, mainly due to the adjustment by the Group of the trading and investment structure;

Including: offshore assets amounted to RMB104.160 billion, and accounted for 13.16% of our total assets.

IV. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

√ Applicable □ Not applicable

The Group is a long-term, consistent and across-the-board leader in the PRC securities industry, providing integrated financial services. Throughout the development of the PRC capital markets, the Group has weathered many industry cycles while forging ahead to establish itself as a leader in the capital markets. Since its establishment, the Group has always maintained strong comprehensive competitiveness, ranking top in the industry in terms of capital scale, profitability, business strength and risk management capability.

Section III Discussion and Analysis of the Board of Directors

The Group's core competency can be embodied in the following three aspects:

(I) Deeply rooted culture of risk management and pursue of excellence

Since its inception, the Group has developed the corporate culture of implementing reform and innovation and striving for progress, which propelled the long-term consistent and across-the-board development of the Group. In recent years, the Group actively practices a sound risk culture and market-oriented performance culture, and promotes high-quality development based on comprehensive reforms, thereby further enhancing its cohesiveness and culture recognition.

The Group firmly believes that risk management is the core competitiveness of securities companies. The Group adheres to a sound risk culture and has established a comprehensive and effective risk management and internal control system. With complete risk management system, scientific risk management models and methods and advanced risk management methods to accurately identify and effectively manage risks, the Group can maintain its long-term stable development. In recent years, the Group took advantage of the opportunity as one of the first batch of qualified consolidated supervision pilot programs to solidify the foundation of the unified group risk management system, thus promoting the formation of a full set of scientific and complete, efficiently operated, intensive, professional and comprehensive compliance risk control management system at group level. During the Reporting Period, the Group optimized the compliance and risk control assessment mechanism, improved the classification and grading review mechanism, and built the three lines of defense of the "first-line risk control, full-time risk control and audit", strengthened the management and control of compliance risks in key areas, accelerated the pace of digital transformation, and continuously promoted the unified group management and control mechanism. The comprehensive risk management system was further consolidated, and the Company was selected as one of the first batch of securities companies in the White List issued by the CSRC. So far, the Group has attained the regulatory rating of Class A Grade AA from the CSRC for 14 consecutive years.

In pursuit of excellence, the Group endeavors to select the best talents to provide the best services for customers. The Group adheres to a market-oriented performance culture, continues to promote market-oriented institutional reforms, selects and motivates talents through market-oriented enrollment mechanism and performance appraisal mechanism, promoting the continuous improvement of the Group's competitiveness. In recent years, the Group has strengthened its talent advantage by increasing its efforts in reform, implementing open selection and recruitment of professional managers to make its management members more professional and younger, deepening the reform of human resources and making breakthroughs in talent team building, human resources management and optimization of assessment and incentives, further promoting reform in the investment banking business unit, completing the granting of reserved Restricted A Shares, and strengthening the long-term incentive and restraint mechanism for core talents. At the same time, the Group further improved the service system for retail customers, corporate customers and institutional customers based on customer-oriented strategy, promoted the normalization of the operational mechanism of the four collaborative development committees, and merged the original research and institutional business committee and the trading and investment business committees into the institutional and trading business committee, continued to optimize its organizational structure and collaboration mechanism, enhanced its comprehensive financial service capabilities and further enlarged its customer base. As at the end of the Reporting Period, the number of institutional customers of the Group was approximately 53,000, an increase of 11.0% compared with the end of last year. The number of personal financial accounts was approximately 14.59 million, an increase of 11.3% compared with the end of last year.

Section III Discussion and Analysis of the Board of Directors

(II) Leader in the PRC capital market

As a consistent leader in terms of business scale, the Group has strong comprehensive profitability.

Since its inception, the scale strength of the Group has been standing at the top of the industry. Since 2011, the Group has ranked among the top three companies in the industry in terms of operating revenue, and ranked among the top four companies in the industry in terms of total assets and net profit. According to the parent-company statistical caliber of the SAC, the Company ranked third, third, second, second and second in the industry, respectively, in terms of total assets, net assets, net capital, operating revenue and net profit in 2021.

The Group has a comprehensive and balanced combination of businesses and ranks at the top of the industry in terms of its principal businesses.

In 2021, the Group ranked fourth and fifth in the industry in terms of number of underwritings of securities and security underwriting amount, respectively, second in the industry in terms of the number of private funds under custodianship, first among securities companies in terms of scale of mutual fund custody, and third in the industry in terms of balance of margin loans under the margin financing and securities lending business. The Company ranked first in the industry in terms of net revenue from securities brokerage business. Guotai Junan Futures ranked first in the industry in terms of trading volume of financial futures. Guotai Junan International continued to be among top Chinese security dealers in Hong Kong in terms of major operating indicators.

(III) Leader of technology and innovation in the PRC securities industry

The Group places great emphasis on strategic investment in technology and science and continuously promotes proprietary financial technology innovation.

The Group is a frontrunner in the application of financial technology in the securities industry. According to the statistics of the SAC, the Company ranked top two in the industry in terms of amount of IT system investment for three consecutive years from 2017 to 2020. During the Reporting Period, the Group issued and implemented the Overall Plan for Comprehensive Digital Transformation, clearly proposing the digital transformation vision of “SMART investment banking”, promoted a comprehensive digital transformation, continued to optimize the digital wealth management platform with Matrix-Jun Hong APP as the core and the institutional customer service platform with Daohe APP as the core, further promoted the construction of important systems and digitization of management in various business lines, established group management center. All these continuous investments in financial technology have gradually shown their supporting role in enhancing customer experience, leading business development and improving management capabilities. At the end of the Reporting Period, Jun Hong APP ranked second in the industry in terms of annual average monthly active users, with mobile terminal users of 37.90 million and the accumulated number of institutional users of the Daohe platform was more than 55,000, with a coverage of 9,047 institutional and corporate customers.

Section III Discussion and Analysis of the Board of Directors

The Group has outstanding innovation capability and is one of the frontrunners in innovation in the industry. In recent years, the Group established a mechanism for encouraging innovation and fault tolerance and fault rectification, committed to promoting the innovative development of various businesses and enhanced its leading advantages in its main business area. During the Reporting Period, the Group completed the issuance and listing of the first batch of publicly-raised REITs – Zhangjiang Guangda Park publicly-raised REITs project (張江光大園公募REITs 項目), and was among the first batch to carry out pilot optimization business for account management function. In respect of its wealth management business, the Group strived to build a digital wealth management platform. Financial product sale investment advisory business developed rapidly. In respect of its investment banking business, the Group completed a number of projects including the first carbon neutrality green technology innovation bond in China, the first carbon neutrality short-term corporate bonds in China and the first technology innovation corporate bonds in China. In respect of its institutional and trading business, the Group enhanced the development of the “Guotai Junan Risk Hedging (國泰君安避險)” brand, launched the OTC financial cloud system, strengthened customer demand-oriented product innovation. The OTC derivatives business experienced a rapid growth, and obtained a number of business qualifications, such as the qualification to establish a qualified institution for credit-protected bond pledge repurchase business, the comprehensive clearing membership of credit default swaps of Shanghai Clearing House, the qualification of comprehensive market maker for interbank spot bonds, and the qualification of market maker for treasury bond futures. Guotai Junan Asset Management proceeded the reconstructions for 10 large-scale collective products participating in mutual funds, issued six mutual fund products, initiated the establishment of the first national Yangtze River Delta integrated Leasing ABS and the first financial leasing “Carbon neutrality” ABS. Guotai Junan International steadily advanced its overseas layout, and its subsidiaries in Vietnam experienced rapid growth in revenue.

Section III Discussion and Analysis of the Board of Directors

V. PRINCIPAL OPERATION CONDITION DURING THE REPORTING PERIOD

(I) Analysis of financial statements

1. Analysis of consolidated statements of profit or loss

(1) Total revenue and other income structure

Unit: thousand yuan Currency: RMB

Items	January to December 2021		January to December 2020		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Fee and commission income	19,880,642	35.24%	16,719,616	36.00%	3,161,026	18.91%
Interest income	15,752,963	27.93%	14,495,682	31.21%	1,257,281	8.67%
Net investment gains	10,300,204	18.26%	8,901,197	19.16%	1,399,007	15.72%
Total revenue	45,933,809	81.43%	40,116,495	86.37%	5,817,314	14.50%
Gain on losing control of a subsidiary	1,138,769	2.02%	-	-	1,138,769	Not applicable
Other income and gains	9,338,609	16.55%	6,328,845	13.63%	3,009,764	47.56%
Total revenue and other income	56,411,187	100.00%	46,445,340	100.00%	9,965,847	21.46%

In 2021, the Group's total revenue and other income amounted to RMB56.411 billion, representing an increase of 21.46% compared with the same period of last year, among which: our fee and commission income, accounting for 35.24% of the total revenue and other income, increased by 18.91% to RMB19.881 billion compared with the same period of last year, primarily due to the rapid growth in the brokerage business and revenue from investment banking business;

The net investment gains, accounting for 18.26% of the total revenue and other income, increased by 15.72% to RMB10.3 billion compared with the same period of last year, primarily due to the increase in investment gains from financial assets held for trading;

Gain on losing control of a subsidiary, accounting for 2.02% of the total revenue and other income, amounted to RMB1.139 billion, representing gains on revaluation of the equity interests in Shanghai Securities;

The other income and gains, accounting for 16.55% of the total revenue and other income, increased by 47.56% to RMB9.339 billion compared with the same period of last year, primarily due to the increase in subsidiaries' transaction volume of commodities.

Section III Discussion and Analysis of the Board of Directors

(2) Total expenses structure

Unit: thousand yuan Currency: RMB

Items	January to December 2021		January to December 2020		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Fee and commission expenses	3,930,995	10.39%	2,580,447	8.13%	1,350,548	52.34%
Interest expenses	10,162,410	26.86%	8,804,654	27.75%	1,357,756	15.42%
Staff costs	10,286,478	27.19%	9,250,380	29.16%	1,036,098	11.20%
Depreciation and amortization expenses	1,267,222	3.35%	1,371,553	4.32%	-104,331	-7.61%
Tax and surcharges	190,678	0.50%	168,819	0.53%	21,859	12.95%
Other operating expenses and costs	11,658,102	30.81%	8,240,709	25.97%	3,417,393	41.47%
Provision for impairment losses	721	0.00%	62	0.00%	659	1,062.90%
Credit loss expense	341,023	0.90%	1,312,297	4.14%	-971,274	-74.01%
Total expenses	37,837,629	100.00%	31,728,921	100.00%	6,108,708	19.25%

In 2021, the Group's total expenses amounted to RMB37.838 billion, representing an increase of 19.25% compared with the same period of last year, among which: Other operating expenses and costs, accounting for 30.81% of the total expenses, increased by 41.47% to RMB11.658 billion compared with the same period of last year, primarily due to the increase in subsidiaries' transaction volume of commodities. Staff costs, accounting for 27.19% of the total expenses, increased by 11.20% to RMB10.286 billion compared with the same period of last year, primarily due to the increase in the staff expenses of the Group;

2. Analysis of consolidated statements of cash flows

In 2021, the net increase in cash and cash equivalents of the Group was RMB11.873 billion, among which:

Net cash used in operating activities was RMB16.787 billion, which was mainly due to (i) an increase of RMB52.066 billion in financial instruments at fair value through profit or loss and derivative financial instruments, mainly due to the allocation of bonds, funds and other investment amounts based on customer demand; and (ii) an increase of RMB26.538 billion in cash held on behalf of brokerage customers due to changes in securities market conditions. These cash outflows were partially offset by (i) an increase in accounts payable to brokerage customers of RMB33.012 billion which was due to changes in securities market conditions; (ii) an increase of RMB27.664 billion in financial assets sold under repurchase agreements which was due to an increase in the size of bonds sold under repurchase agreements.

Section III Discussion and Analysis of the Board of Directors

Net cash generated from investing activities was RMB0.220 billion, which was mainly due to the cash of RMB47.597 billion proceeds from disposal of financial assets at fair value through other comprehensive income and other investments, part of which was offset by the payment of RMB46.465 billion in cash for the purchases of financial assets at fair value through other comprehensive income and other investments, reflecting the Group's adjustment to the transaction and investment structure.

Net cash generated from financing activities was RMB28.440 billion, primarily due to (i) the cash of RMB69.786 billion received from issuance of short-term debt instruments; and (ii) the cash of RMB65.641 billion received from loans and borrowings. These cash inflows were partially offset by the following items (i) cash payments of RMB98.710 billion for repayment of debt securities issued.

3. Analysis of consolidated statements of financial position

Unit: thousand yuan Currency: RMB

Items	As of 31 December 2021		As of 31 December 2020		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Non-current assets						
Property and equipment	2,940,786	0.37%	5,024,307	0.71%	-2,083,521	-41.47%
Investment property	973,275	0.12%	-	-	973,275	N/A
Right-of-use assets	2,486,964	0.31%	2,490,743	0.35%	-3,779	-0.15%
Goodwill	20,896	0.00%	599,812	0.09%	-578,916	-96.52%
Other intangible assets	662,890	0.08%	1,677,813	0.24%	-1,014,923	-60.49%
Investments in associates	7,434,717	0.94%	1,169,765	0.17%	6,264,952	535.57%
Investments in joint ventures	5,492,824	0.69%	2,844,778	0.40%	2,648,046	93.08%
Debt instruments at fair value through other comprehensive income	55,034,775	6.96%	65,511,217	9.32%	-10,476,442	-15.99%
Equity instruments at fair value through other comprehensive income	2,480,358	0.31%	17,637,062	2.51%	-15,156,704	-85.94%
Financial assets held under resale agreements	1,893,344	0.24%	2,616,287	0.37%	-722,943	-27.63%
Financial assets at fair value through profit or loss	19,946,824	2.52%	26,628,714	3.79%	-6,681,890	-25.09%
Refundable deposits	40,795,692	5.16%	29,415,401	4.18%	11,380,291	38.69%
Deferred tax assets	1,845,465	0.23%	1,761,582	0.25%	83,883	4.76%
Other non-current assets	103,751	0.01%	691,128	0.10%	-587,377	-84.99%
Total	142,112,561	17.94%	158,068,609	22.48%	-15,956,048	-10.09%

Section III Discussion and Analysis of the Board of Directors

Items	As of 31 December 2021		As of 31 December 2020		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Current assets						
Accounts receivable	9,312,022	1.18%	7,230,325	1.03%	2,081,697	28.79%
Other current assets	2,911,292	0.38%	2,983,541	0.42%	-72,249	-2.42%
Margin accounts receivable	109,287,307	13.81%	99,429,347	14.15%	9,857,960	9.91%
Debt instruments at fair value through other comprehensive income	11,803,641	1.49%	6,981,585	0.99%	4,822,056	69.07%
Financial assets held under resale agreements	57,689,409	7.29%	53,245,514	7.58%	4,443,895	8.35%
Financial assets at fair value through profit or loss	264,438,237	33.42%	202,097,430	28.75%	62,340,807	30.85%
Derivative financial assets	4,157,399	0.53%	2,214,226	0.32%	1,943,173	87.76%
Clearing settlement funds	6,726,022	0.85%	6,049,697	0.86%	676,325	11.18%
Cash held on behalf of brokerage customers	151,178,698	19.11%	139,323,440	19.82%	11,855,258	8.51%
Cash and bank balances	31,656,227	4.00%	25,275,458	3.60%	6,380,769	25.24%
Total	649,160,254	82.06%	544,830,563	77.52%	104,329,691	19.15%
Total assets	791,272,815	100.00%	702,899,172	100.00%	88,373,643	12.57%
Current liabilities						
Loans and borrowings	4,340,789	0.68%	9,769,331	1.75%	-5,428,542	-55.57%
Short-term debt instruments	46,021,302	7.18%	48,724,368	8.75%	-2,703,066	-5.55%
Placements from other financial institutions	12,108,833	1.89%	13,810,630	2.48%	-1,701,797	-12.32%
Accounts payable to brokerage customers	172,483,608	26.92%	157,408,158	28.28%	15,075,450	9.58%
Employee benefits payable	8,424,175	1.31%	7,568,772	1.36%	855,403	11.30%
Income tax payable	2,015,777	0.31%	1,572,828	0.28%	442,949	28.16%
Financial assets sold under repurchase agreements	164,884,092	25.74%	144,721,315	26.00%	20,162,777	13.93%
Financial liabilities at fair value through profit or loss	33,950,820	5.30%	30,304,839	5.44%	3,645,981	12.03%
Derivative financial liabilities	9,752,873	1.52%	5,526,472	0.99%	4,226,401	76.48%
Bonds payable	32,246,542	5.03%	24,744,699	4.45%	7,501,843	30.32%
Lease liabilities	510,987	0.08%	466,697	0.08%	44,290	9.49%
Other current liabilities	43,915,745	6.87%	25,405,255	4.57%	18,510,490	72.86%
Total	530,655,543	82.83%	470,023,364	84.43%	60,632,179	12.90%
Net current assets	118,504,711		74,807,199		43,697,512	58.41%

Section III Discussion and Analysis of the Board of Directors

Items	As of 31 December 2021		As of 31 December 2020		Changes	
	Amount	Component	Amount	Component	Amount	Proportion
Non-current liabilities						
Bonds payable	94,520,556	14.76%	66,947,715	12.03%	27,572,841	41.19%
Lease liabilities	1,429,121	0.22%	1,486,932	0.27%	-57,811	-3.89%
Deferred tax liabilities	111,309	0.02%	139,059	0.02%	-27,750	-19.96%
Financial liabilities at fair value through profit or loss	13,538,712	2.11%	17,789,620	3.20%	-4,250,908	-23.90%
Other non-current liabilities	380,982	0.06%	274,664	0.05%	106,318	38.71%
Total	109,980,680	17.17%	86,637,990	15.57%	23,342,690	26.94%
Total liabilities	640,636,223	100.00%	556,661,354	100.00%	83,974,869	15.09%
Total equity	150,636,592		146,237,818		4,398,774	3.01%

As of 31 December 2021, the total assets of the Group were RMB791.273 billion, increased by 12.57% compared with the end of last year; the total liabilities were RMB640.636 billion, increased by 15.09% compared with the end of last year; the total equity was RMB150.637 billion, increased by 3.01% compared with the end of last year.

The asset of the Group was mainly comprised of: financial assets at fair value through profit or loss of RMB284.385 billion (35.94% of the total assets); cash held on behalf of brokerage customers of RMB151.179 billion (19.11% of the total assets); margin accounts receivable of RMB109.287 billion (13.81% of the total assets); debt instruments at fair value through other comprehensive income of RMB66.838 billion (8.45% of the total assets).

Among the above, the current assets amounted to RMB649.160 billion and accounted for 82.06% of the total assets. The liquidity of the Group was fine with reasonable structure. In addition, the Group made impairment provisions for the assets showing impairment indications under market fluctuation and therefore the assets were of relatively high quality.

Non-current assets

As of 31 December 2021, our non-current assets amounted to RMB142.113 billion with a decrease of 10.09% compared with the end of last year. Among the non-current assets, equity instruments at fair value through other comprehensive income amounted to RMB2.480 billion with a decrease of 85.94% compared with the end of last year, which was primarily because the Group adjusted its investment scale according to the market conditions; debt instruments at fair value through other comprehensive income amounted to RMB55.035 billion with a decrease of 15.99% compared with the end of last year, which was primarily because the Group adjusted its investment scale according to the market conditions; refundable deposits amounted to RMB40.796 billion with an increase of 38.69% compared with the end of last year, which was primarily due to fluctuations in the securities market conditions.

Section III Discussion and Analysis of the Board of Directors

Current assets

As of 31 December 2021, our current assets amounted to RMB649.160 billion with an increase of 19.15% compared with the end of last year. Among the current assets, financial assets at fair value through profit or loss amounted to RMB264.438 billion with an increase of 30.85% compared with the end of last year, primarily because the Group adjusted its investment scale according to the market conditions; cash held on behalf of brokerage customers amounted to RMB151.179 billion with an increase of 8.51% compared with the end of last year, primarily due to the impact of the securities market conditions; the margin accounts receivable amounted to RMB109.287 billion with an increase of 9.91% compared with the end of last year, which was primarily due to the increased size of margin financing and securities lending business affected by the securities market conditions.

Current liabilities

As of 31 December 2021, our current liabilities amounted to RMB530.656 billion with an increase of 12.90% compared with the end of last year. Among the current liabilities, financial assets sold under repurchase agreements amounted to RMB164.884 billion with an increase of 13.93% compared with the end of last year, which was primarily due to the increase in bonds sold under repurchase agreements; other current liabilities amounted to RMB43.916 billion with an increase of 72.86% compared with the end of last year, which was primarily due to the increase in the Group's deposits payable; accounts payable to brokerage customers amounted to RMB172.484 billion with an increase of 9.58% compared with the end of last year, primarily due to the impact of the securities market conditions.

Non-current liabilities

As of 31 December 2021, our non-current liabilities amounted to RMB109.981 billion with an increase of 26.94% compared with the end of last year. Among the non-current liabilities, bonds payable amounted to RMB94.521 billion with an increase of 41.19% compared with the end of last year, primarily due to the Group's adjustment to its liabilities structure.

Equity

The equity attributable to equity holders of the Company increased by 7.11% from the end of last year to RMB147.124 billion as of 31 December 2021. The gearing ratio of the Group was 75.64% as of 31 December 2021, which has increased by 2.45 percentage points compared with the end of last year, given the Group's reasonable and stable assets and liabilities structure.

Major restricted assets at the end of the Reporting Period

For details of assets with restricted ownership or use rights, please refer to notes to the consolidated financial statements.

Section III Discussion and Analysis of the Board of Directors

Borrowings and debt financing

As of 31 December 2021, the total borrowings and debt financing of the Group amounted to RMB177.129 billion, details of which are set out as follows:

Unit: thousand yuan Currency: RMB

	31 December 2021	31 December 2020
Loans and borrowings	4,340,789	9,769,331
Short-term debt instruments	46,021,302	48,724,368
Bonds payable	126,767,098	91,692,414
Total	<u>177,129,189</u>	<u>150,186,113</u>

For details of the interest rate and the terms of the loans and borrowings, short-term debt instruments and bonds payable, please refer to notes to the consolidated financial statements.

Except for the borrowings and debt financing, the Group obtained funds through placements from other financial institutions and financial assets sold under repurchase agreements. As of 31 December 2021, the balance of placements from other financial institutions were RMB12.109 billion while the balance of financial assets sold under repurchase agreements were RMB164.884 billion. The total debt mentioned above was RMB354.122 billion.

Except for the liabilities disclosed in the Report, the Group did not have, as of 31 December 2021, any outstanding mortgages, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, guarantees or other material contingent liabilities.

Major customers and suppliers

In 2021, revenue from the five largest customers of the Group accounted for less than 2% of its total revenue and other income, and none of the five largest customers are its related party. None of the Directors, supervisors and their respective associates as well as Shareholders holding more than 5% of the issued share capital of the Company has any interest in any of the five largest customers of the Company.

Due to its business nature, the Group has no major suppliers.

Section III Discussion and Analysis of the Board of Directors

(II) Analysis of investments

Overall analysis of external equity investment

Applicable Not applicable

During the Reporting Period, the Group's material equity investments and on-going material non-equity investments were as follows:

1. Material equity investments

Applicable Not applicable

2. Material non-equity investments

Applicable Not applicable

Office buildings in Jing'an District, Shanghai: Guoxiang Properties, a subsidiary of the Company, received a planning permit of construction engineering and a construction permit for pile foundation for land lot No. 49 in Jing'an District on 23 June 2014 and commenced construction in June 2014. According to the resolution at the second meeting of the fifth session of the Board of the Company in 2016, the total investment amount for this project was adjusted to RMB1.879 billion by adding another project investment of RMB255 million. The accumulative investment of the project was RMB1.834 billion as of 31 December 2021.

Section III Discussion and Analysis of the Board of Directors

3. Financial assets measured at fair value

Applicable Not applicable

Unit: yuan Currency: RMB

Items	Opening Balance	Closing Balance	Change for the current period	Effect on the amount of profit for the current period
Financial instruments at fair value through profit or loss	180,631,685,205	236,895,529,408	56,263,844,203	8,678,505,105
Debt instruments at fair value through other comprehensive income	72,492,801,329	66,838,415,637	-5,654,385,692	2,198,339,550
Equity instruments at fair value through other comprehensive income	17,637,062,448	2,480,358,307	-15,156,704,141	842,828,765
Derivative financial instruments	-3,312,246,315	-5,595,474,887	-2,283,228,572	400,832,832
	<u>267,449,302,667</u>	<u>300,618,828,465</u>	<u>33,169,525,798</u>	<u>12,120,506,252</u>

4. Specific progress of major asset restructuring and integration during the Reporting Period

Applicable Not applicable

(III) Material assets and equity disposal

Applicable Not applicable

In January 2020, the Company convened the twenty-first extraordinary meeting of the fifth session of the Board at which the “Proposal on Consideration and Approval of the Specific Plan for Targeted Capital Increase of Shanghai Securities Co., Ltd. (《關於提請審議上海證券有限責任公司定向增資具體方案的議案》)” was considered and approved, pursuant to which, the Company agreed that Bailian Group Co., Ltd. and Shanghai Municipal Investment (Group) Corporation will subscribe for the newly issued capital of Shanghai Securities by way of non-public capital increase.

In December 2020, Shanghai Securities received the Reply on Approval of Shanghai Securities Co., Ltd.’s Change of Major Shareholders (Zheng Jian Xu Ke [2020] No. 3358) (《關於核准上海證券有限責任公司變更主要股東的批覆》(證監許可[2020]3358號)) from the CSRC and the CSRC approved Bailian Group Co., Ltd. to become a major shareholder and controlling shareholder of Shanghai Securities.

In February 2021, Shanghai Securities completed the industrial and commercial change registration of the additional registered capital, and the equity interests the Company held in Shanghai Securities decreased from 51% before this capital increase to 24.99%. The Company will record a revenue of RMB1.139 billion from this capital increase in Shanghai Securities, accounting for approximately 5.96% of the Group’s total profit for 2021.

Section III Discussion and Analysis of the Board of Directors

(IV) Analysis of main holding companies

Applicable Not applicable

1. Guotai Junan Financial Holdings

Guotai Junan Financial Holdings primarily conducts brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments businesses in Hong Kong through Guotai Junan International and its subsidiaries.

The paid-up capital of Guotai Junan Financial Holdings is HK\$2,611.98 million and the Company holds 100% of its equity interests.

As of 31 December 2021, the total assets of Guotai Junan Financial Holdings were RMB105.583 billion with net assets of RMB13.051 billion; in 2021, its operating revenue was RMB2.579 billion and its net profit was RMB1.124 billion.

2. Guotai Junan Asset Management

Guotai Junan Asset Management is principally engaged in the licensed project: public fund management business and the general project: securities asset management business.

The registered capital of Guotai Junan Asset Management is RMB2 billion and the Company holds 100% of its equity interests.

As of 31 December 2021, the total assets of Guotai Junan Asset Management were RMB7.984 billion with net assets of RMB6.464 billion; in 2021, its operating revenue was RMB2.070 billion and its net profit was RMB614 million.

3. Guotai Junan Futures

Guotai Junan Futures is principally engaged in commodity futures brokerage, financial futures brokerage, futures investment consulting and assets management.

The registered capital of Guotai Junan Futures is RMB4 billion and the Company holds 100% of its equity interests.

As of 31 December 2021, the total assets of Guotai Junan Futures were RMB90.406 billion with net assets of RMB6.615 billion; in 2021, its operating revenue was RMB11.298 billion and its net profit was RMB743 million.

Section III Discussion and Analysis of the Board of Directors

4. Guotai Junan Innovation Investment

Guotai Junan Innovation Investment is principally engaged in equity investment business and other businesses approved by the CSRC.

The registered capital of Guotai Junan Innovation Investment is RMB7.5 billion and the Company holds 100% of its equity interests.

As of 31 December 2021, the total assets of Guotai Junan Innovation Investment were RMB8.721 billion with net assets of RMB7.7 billion; in 2021, its operating revenue was RMB233 million and its net profit was RMB61 million.

5. Guotai Junan Zhengyu

Guotai Junan Zhengyu is principally engaged in equity investment, financial product investment, and businesses as stipulated in the Management Norms of Alternative Investment Subsidiaries of Securities Companies.

The registered capital of Guotai Junan Zhengyu is RMB3 billion and the Company holds 100% of its equity interests.

As of 31 December 2021, the total assets of Guotai Junan Zhengyu were RMB4.187 billion with net assets of RMB3.932 billion; in 2021, its operating revenue was RMB794 million and its net profit was RMB532 million.

6. HuaAn Funds

HuaAn Funds is principally engaged in fund establishment, management of fund business and other businesses approved by the CSRC.

The registered capital of HuaAn Funds is RMB150 million and the Company holds 28% of its equity interests.

As of 31 December 2021, the total assets of HuaAn Funds were RMB6.246 billion with net assets of RMB4.148 billion; in 2021, its operating revenue was RMB3.631 billion and its net profit was RMB1.006 billion.

Section III Discussion and Analysis of the Board of Directors

7. Shanghai Securities

Shanghai Securities is principally engaged in securities brokerage; securities investment consultation; financial advisory relating to securities trading and securities investment; securities (exclusive of stocks and corporate bonds issued by listed companies) underwriting; securities proprietary trading; securities asset management; agency sale of securities investment fund; intermediary business for futures companies; margin financing and securities lending; agency sale of financial products.

The registered capital of Shanghai Securities is RMB5.326532 billion and the Company holds 24.99% of its equity interests.

As of 31 December 2021, the total assets of Shanghai Securities were RMB69.803 billion with net assets of RMB16.928 billion; in 2021, its operating revenue was RMB2.280 billion and its net profit was RMB766 million.

(V) The situation of structured entities controlled by the Company

Applicable Not applicable

As of 31 December 2021, the Group consolidated 53 structured entities, which include asset management schemes and partnerships. For those asset management schemes where the Group is involved as a manager and partnerships where the Group is involved as general partner or investment manager, the Group considered that it had control rights over some asset management schemes and partnerships and incorporated them into the consolidated category after comprehensively taking into account various factors such as the investment decision rights they owned and their exposures to the variable returns. As at 31 December 2021, the impacts of the above structured entities which were incorporated into the consolidated category on the Group's consolidated total assets, consolidated operating revenue and consolidated net profit were RMB1.770 billion, RMB-97 million and RMB-62 million, respectively.

(VI) Establishment and disposal of branches

1. Disposal of Shanghai Securities

For details, please refer to "V. PRINCIPAL OPERATION CONDITION DURING THE REPORTING PERIOD (III) Material assets and equity disposal" of this section.

Section III Discussion and Analysis of the Board of Directors

2. Establishment and disposal of branches and business branches

During the Reporting Period, the Group established 6 new futures branch offices and 4 new securities branches, relocated 1 securities branch office, 1 futures branch office, 18 securities branches and 3 futures branches in the same cities and deregistered 7 securities branches in China. Please refer to Appendix III for the details of establishment and disposal.

	Newly established branch offices	Relocated branch offices	Newly established securities/futures branches	Relocated securities/futures branches	Deregistered securities/futures branches
The Company	-	1	4	18	7
Guotai Junan Futures ^{Note}	6	1	-	3	-

Note: Guotai Junan Futures had 6 branches upgraded to branch offices.

(X) Principal financing channel, structure of long and short term liabilities, measures taken and management policies adopted to maintain liquidity, financing ability, contingent matters and their effects on financial conditions

1. Financing channel

In the PRC, the Company mainly uses financing products such as interbank borrowings, debt securities repurchase, short-term financing bills, financial bonds, corporate bonds, subordinated bonds, structured notes, margin refinancing, perpetual bonds, convertible bonds, new issuance and placing to conduct short-term financing and medium to long-term financing through various venues including exchanges and interbank and over-the-counter markets according to relevant policies and regulations and market environment and its own needs. The Company may also obtain foreign funds through placing, convertible bonds, rights issue and issuance of medium-term notes, etc., thereby supporting the Company's overseas business development.

Section III Discussion and Analysis of the Board of Directors

2. Liability structure

For details, please refer to “V. PRINCIPAL OPERATION CONDITION DURING THE REPORTING PERIOD 3. Analysis of consolidated statements of financial position” in this section.

3. Liquidity management policies and measures

In order to maintain the liquidity and yield rate of its assets, the Company has established a liquidity reserve pool system as well as mechanisms relating to the management and operation of proprietary funds and liquidity, whereby the Company has established explicit responsibility division and authorization mechanism for the departments involved therein and improved the professionalism of liquidity management and operation. The Company has established and improved its financing strategies by continuously improving the diversity and stability of its source of funding, thus effectively maintaining its overall liquidity condition at a relatively safe level. In respect of liquidity operation, the Company always maintains short-term financing channels, such as relatively stable interbank borrowing and repurchase, in domestic exchanges and interbank markets and continuously exploits new trading methods and counterparties.

4. Analysis of financing capability and financing strategies

In order to maintain a balance between liquidity and profitability, the Company holds a certain number of fixed income products. Changes in interest rates will have a direct impact on the interest income from the cash held by the Company, the market price of the bond investment and the investment income. In addition, since the Company has subsidiaries which are incorporated outside Mainland China, the Company contributes their capital with foreign currency. As the Company has foreign currency-denominated capital and assets and has raised funds through the issuance of bonds denominated in foreign currencies through its overseas subsidiaries, changes in exchange rates and overseas market interest rate levels will have certain impacts on the financial conditions of the Company. The Company fine-tunes the structures of its different classes of assets in a timely manner and utilizes corresponding hedging tools to mitigate the risks and the impacts of the aforesaid factors.

Section III Discussion and Analysis of the Board of Directors

VI. DISCUSSION AND ANALYSIS OF THE COMPANY ABOUT THE COMPANY'S FUTURE DEVELOPMENT

(I) Industrial landscape and trend

Applicable Not applicable

The PRC securities industry is still in the historic period which offers opportunities for rapid development. In the long run, the development of the capital market, the reform and opening-up of the financial system will provide the industry with broad development room. The securities industry will show a development trend of service integration, differentiated developments, international competition and operation digitalization.

1. Development of the capital market will promote the further integration of the services and products of securities companies

To develop a standard, transparent, open, active and resilient capital market and give a better play of pivotal functions of capital market, the system reform with comprehensive implementation of the registration system for stock issuance was further promoted. The capital market continued to expand and the market structure gradually moving closer to the international mature market, causing it to enter a new track of long-term and healthy development, which will bring rare development opportunities to the securities industry. As an important participant in the capital market, the basic functions of securities companies will be improved continuously. The transformation and upgrade of traditional business, and the arising of innovative business, business scope and room of securities companies will largely expand. Going forward, the PRC securities companies will continue to focus on client demand as they promote new innovative businesses, constantly expand the scope and depth of businesses and services, consolidate their businesses, products, channels and supporting services, and transform themselves into modern investment banks covering complete business chains, industrial chains and service chains.

2. Differentiated competition will provide more growth potential for leading securities companies

In recent years, the capital market entered a new stage of innovative development, which will demonstrate more requirements for the capital strength, innovation capability and risk control capability of securities companies and provide securities companies with more room for differentiated development, promoting the business differentiation of the securities industry and the concentration of capital and profits to leading securities companies. Benefiting from their market positions, capitals and economies of scale, leading securities companies with comprehensive strength and strong innovation capabilities will accelerate their growth across all markets and business areas, and further enhance their overall competitiveness and achieve development in scale and comprehensiveness. By contrast, small and medium securities companies will concentrate their resources and form competitive edges in certain market segments or regional markets to achieve growth, thereby forming a differentiated and multi-tiered competitive landscape with leading securities companies.

Section III Discussion and Analysis of the Board of Directors

3. Liberalization of the PRC capital markets will enable securities companies to accelerate their globalization

With the proceeding of economic globalization and capital market reform, the PRC capital market has entered a new stage of overall opening-up. In recent years, series of measures such as the increasing improvement of Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect, and Shanghai-London Stock Connect, the removal of quota limit on QFII and RQFII and the expansion of its investment scope, the official launch of “Full Circulation” of H Shares and the early removal of restrictions on the proportion of foreign ownership in securities industry have driven capital market to open up at a higher level, in a broader scope and in more forms and thus the inter-connectivity between domestic and overseas markets will continue to be deepened. While bringing with abundant business resources for securities companies, the overall opening-up will also bring with more intensive competition and motivate the PRC securities companies to further develop their international businesses by utilizing both domestic and overseas resources to realize synergy and growth. Therefore, leading securities companies have greater potential to grow to large investment banks with international competitiveness by allocating resources, serving customers and managing risks worldwide.

4. Advanced technology promotes the comprehensive digital transformation and upgrading of businesses and operation and management models of securities companies

Advanced IT has increasingly transformed the PRC securities companies’ businesses from the traditional fee-based models to diversified models focusing on professional services, client relations and Internet-based services. A growing number of securities companies are bringing their offline operations online to streamline their businesses, lower service costs and improve operational efficiency. Furthermore, the Internet-based operating models enable securities companies to collect large amounts of client data to analyze and understand client needs, improve client satisfaction and loyalty and acquire new clients. Securities companies can provide investors with tailored products and services only with financial innovation as breakthrough to accelerate digital transformation, thereby improving the investment returns for clients.

Section III Discussion and Analysis of the Board of Directors

(II) Development strategies of the Company

Applicable Not applicable

1. Opportunities and challenges for development

In terms of external environment, the improvement of strategic positioning and the continuous enhancement of pivotal functions of capital market, the fully promoting of basic system reforms, such as the comprehensive registration-based IPO system reform, have brought with significant opportunities for securities industry to accelerate development while presenting critical challenges for the comprehensive service capability of securities companies. In terms of internal conditions, the thorough implementation of the new development concept of the Group bring a smooth progress along the strategic pathway of “Nine-Year Strategic Plan in 3 Three-Year Steps”, the optimization of organizational structure and supporting operating mechanisms and the initial establishment of long-term incentive and restraint mechanisms have created conditions for the further innovative development of the Group. However, the more sophisticated and tough economic environment, the increasing opening-up of capital market and the intensive competition in securities industry in the PRC have brought many challenges to the future development of the Group.

2. The Company’s industrial advantages and shortcomings

The Group’s industrial advantages mainly include: deeply rooted corporate culture of risk management and pursue of excellence; a leader in the PRC capital market; pioneer of technology and innovation in the PRC securities industry. (Please refer to “IV. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD” in this section for details).

In the process of future development, the Group will still need to further enhance the professional capabilities of principal business and the management and support capabilities of the middle and back offices, optimize the integrated synergy mechanism at group level and gradually narrow the gap between itself and leading financial institutions.

Section III Discussion and Analysis of the Board of Directors

3. Development strategies

In 2021, based on national and regional development strategies and taking our vision as the overall goal, the Company proposed a “Nine-Year Strategic Plan in 3 Three-Year Steps” for medium and long term development. In the first three-year (2020-2022), we will focus on laying the foundation to improve our weaknesses and consolidate our leading position among securities companies in the market. In the second three-year (2023-2025), we will focus on enhancing our abilities and develop our advantages to make the core indicators exceed peers. In the third three-year (2026-2028), we will focus on our integration and internationalization to become a respectable and comprehensive leading modern investment bank with international competitiveness.

4. New businesses to be conducted

In 2022, the Group will proactively take advantage of the opportunities in the market arising from the comprehensive registration-based reform and other fundamental system reforms, continue to promote innovation and transformation, and accelerate to overcome the weaknesses in core business capability. Firstly, we focused on residents’ wealth management and common prosperity. Wealth management strengthened the construction of buyer’s investment advisory capacity; secondly, we improved the comprehensive service level of institutional and transaction business by focusing on the increasingly escalating needs of key institutional customers; thirdly, we will focus on key industries and areas to forge our core competitiveness in equity financing business; fourthly, the Company focused on key investment management capabilities to enhance the market influence of asset management, private equity investment and alternative investment buyers businesses.

(III) The operation plan

Applicable Not applicable

The year of 2022 is the last year of the “first three years” of the Group’s “three three-years in three steps” plan. Under the guideline of the new blueprint of “a respectable, comprehensive leading, internationally competitive modern investment bank”, the Group will adhere to the general principle of “making progress while maintaining stability” and the framework of the “three three-years in three steps” plan, fully implemented the requirements of “integrated services, digital operations, international layout and group management”, and with the guarantee of “seeking motivation from reform, vitality from talents, efficiency from management and development from innovation”, to seize the important opportunities in the development of the capital market and securities industry on the basis of continuing to give full play to its advantages in stable operation. Focusing on the key tasks such as optimizing the appraisal and incentive mechanism, accelerating the comprehensive digital transformation, upgrading and building the synergy 2.0 model, promoting the high-quality development of branches, and improving the management level of group-based compliance risk management, we will accelerate the transformation and upgrade and basically making up for the shortcomings of business management. We will strive to achieve the overall strategic goal of “laying the foundation to improve our weaknesses” for the first three-year period.

Section III Discussion and Analysis of the Board of Directors

For various specific business areas, in respect of the **wealth management business**, the Group will focus on affluent and high-net-worth customers, striving to improve customer experience, and continuing to improve the ability to identify, acquire and allocate high-quality products through the sales of financial products, and systematically improving professional service capabilities of investment advisory team, accelerating the transformation of digital wealth management, and promoting the continuous growth of AUM of retail customers, revenue of financial product agency and scale of the investment advisory business on the basis of maintaining the leading income of agency trading business. In terms of margin financing and securities lending, the Group will accelerate the differentiation of pricing authorization of branches, expanding external securities sources and further increasing the share of financing and securities lending business; The pledge business will focus on the comprehensive needs of corporate customers and enhance the capabilities to identify and serve high-quality customers. In respect of **investment banking business**, the Group will continue to adhere to the layout of the “industry + region”, and improve the “investment banking+” ecosystem development, deepening the reform of the investment banking division, and continuously improving the industrial capability and practice quality. In respect of the **institutional and trading business**, the Group will comprehensively upgrade the level of digital service for institutional customers, and accelerate the consolidation of the weakness of institutional customer base while maintaining the leading edge of the custody business. We will improve our comprehensive service capabilities for key customers, and promote the steady growth of institutional customers’ comprehensive revenue and market share of the shares and funds trading; We will actively conduct the customer demand-oriented transformation for transaction investment, using the corner overtaking strategy to seize the opportunities for reshaping the competitive landscape of customer demand-oriented equity business, and optimizing the structure of FICC customer demand-oriented business to improve the efficiency of capital utilization; In respect of the **investment management business**, the Group will accelerate the establishment of a competitive investment and research system, and continuously improve the ability of active investment and research; In respect of the **international business**, the Group will establish and improve the integrated model of cross-border investment banking and research, continuously improving the international layout, and seizing business opportunities for, such as, cross-border derivatives, to promote sustainable growth in operating results.

(IV) Possible risk exposure

Applicable Not applicable

1. Overview

During the Reporting Period, the Company insisted on its prudent risk culture, firmly took the “compliance risk management” as one of its core strategies, continually established comprehensive risk management system, improved risk management system, optimized risk management organization structure, explored risk management models and methods, built up risk management information system, and enhanced the professional level of risk management, in order to ensure the long-term and healthy development of the Company.

Section III Discussion and Analysis of the Board of Directors

2. Risk management structure

The Company has established a four-level risk management system consisting of the Board (including Risk Control Committee) and Supervisory Committee, operation management (including risk management committee and assets and liabilities management committee), risk management department, other business departments and branches and subsidiaries.

1) *The Board (including Risk Control Committee) and Supervisory Committee*

The Board is the highest decision-making body in our risk management structure, ultimately responsible for the overall risk management of the Company. The Board is responsible for promoting the construction of risk culture; reviewing and approving the fundamental risk management policies of the Company; reviewing and approving the Company's risk appetite, risk tolerance and major risk limits; reviewing periodic risk assessment report; appointment, dismissal and assessment of the chief risk officer, determining his/her remuneration; establishing a mechanism for communicating with the chief risk officer directly. The Board has established the Risk Control Committee, which is responsible for reviewing the overall objectives and fundamental policies of risk management; reviewing the establishment and the duties of the risk management divisions; assessing the risks associated with significant business decisions and the solutions to address significant risks which are to be reviewed by the Board; reviewing various risk assessment reports; reviewing the effectiveness of the Company and its subsidiaries' risk management and internal control systems at least once a year in accordance with the instruction of the Board.

The Supervisory Committee is responsible for supervising comprehensive risk management of the Company, supervising and reviewing the performance of the risk management and rectification of defect by the Board and senior management.

2) *Operation management (including risk management committee and assets and liabilities management committee)*

Our operation management takes the major responsibility of the comprehensive risk management of the Company; is responsible for organizing and implementing the publicity and dissemination of risk culture; establishes risk management system and makes timely adjustment; establishes a healthy operation management structure for the Company's comprehensive risk management and clarifies the duty division of comprehensive risk management among risk management functions, business departments and other departments; establishes the specific execution plans of risk appetite, risk tolerance and major risk limits, and ensures the effective implementation of the plans; monitors its progress, analyzes its reasons in a timely manner and handles it according to the authorizations granted by the Board; periodically assesses the overall risk of the Company and various types of important risk management conditions, resolves problems that are found in risk management and reports to the Board; establishes a performance assessment system for all staff that covers effectiveness of risk management; and establishes a complete IT system and data quality control mechanism.

Section III Discussion and Analysis of the Board of Directors

A risk management committee is established at the operation level of the Company, which conducts overall management for the Company's operational risks, and reviews and makes decisions on major issues of risk management and performs following duties: reviewing arrangements and important systems for compliance risk control mechanism of the Company and its subsidiaries, making decisions or submitting to relevant decision-making bodies for consideration; reviewing the Company's basic policies for risk management, annual risk appetite, self-funded business scale, and maximum risk limits, reviewing the Company's semi-annual and annual compliance reports, risk management reports, and annual internal control evaluation reports and submitting to the Board and the Risk Control Committee of the Company for approval; within the scope of the Board's authorization, considering and determining various investment and financing business scales, risk limits allocation plans, and important risk control indicators and its major adjustments of the Company; submitting to the Board and the Risk Control Committee for approval if the matters reviewed are beyond the scope of the Board's authorization ; considering the election of the first-line compliance risk control head, and the recommendation and appointment of the risk control compliance head of the subsidiary; considering and making decisions for new authorization of the Company's operations and management and authorization adjustments; reviewing the Company's major innovative business risks, compliance assessment report, making decisions and granting authorization; reviewing and making decisions for the Company's business matters that have major disputes in the risk assessment and risk control mechanism arrangement; judging and identifying prospectively on regulatory situation and the risk situation, making decision for risk control response; considering and deciding the disposal options for the Company's major risk issues; considering and making decisions for other matters of significant risk management in business activities.

The members of risk management committee include the president, the chief risk officer, the chief compliance officer, the head of the strategic development department, the head of the planning and finance department, the head of the legal compliance department, the head of the risk management department, the head of the group audit center, the head of the internal audit risk management department, the head of the information technology department, and the head of brand center.

Section III Discussion and Analysis of the Board of Directors

3) *Risk management departments*

Our risk management departments include the risk management department, the internal audit risk management department, the legal compliance department, and the group audit center, the planning and finance department, the assets and liabilities department, the IT department, the information center, the operation center and the executive office, as well as departments that perform other risk management duties. Our risk management department manages the market risks, credit risks, operational risks and liquidity risks, and performs specific risk management responsibilities; our internal audit risk management department is responsible for the risk review and assessment of the Company's securities issuance business in the primary market; our legal compliance department is responsible for identifying, assessing, notifying, monitoring, reporting and preventing legal compliance risks of the Company to protect the Company from legal penalties, significant financial losses and damages to reputation; our group audit center is responsible for independent and objective inspection, supervision, evaluation of and recommendations on the compliance and reasonableness of business, management, finance and other operations, on the security and profitability of assets, and on the comprehensiveness and effectiveness of internal controls among the Company's various departments, branches and controlled subsidiaries. Our planning and finance department is responsible for the Company's budget planning, financial management, accounting and net capital management; our assets and liabilities department is responsible for liquidity management and liquidity risk management; our IT department and information center are the management and operation body of the Company's IT, and is responsible for the planning, construction, operation and management of the Company's IT system, establishing and implementing IT-related system, assessing and controlling the Company's IT risks; our operation center is the daily operation management department of the Company and is responsible for the centralized clearing, settlement, auditing, third-party depository operation of the Company's various businesses, and takes the responsibility of relevant risk management and control; our executive office is responsible for the management of the Company's reputational risk.

4) *Other business departments and branches*

The key responsible persons of each of our business departments, branches and subsidiaries are the persons who are primarily responsible for risk control of each business units. In order to enhance the frontline risk responsibility consciousness, strengthen front end risk control, identify and prevent risk timely and effectively, the Company continuously strengthens the risk control function of each specialized management committees, business departments, branches and subsidiaries. The Company established compliance and risk management system at the subsidiary level, requiring that the subsidiaries shall develop and improve risk management system for their own, and effectively improve the overall risk management level.

Section III Discussion and Analysis of the Board of Directors

3. Risk management system

The Company established a 4-level risk management system based on its business characteristics and level of operational risks and has been constantly perfecting it. The system includes: measures on comprehensive risk management; various risk management measures based on different risks such as market risk, credit risk, operational risk, liquidity risk and reputational risk; risk management system on various business and products; and the practical business operation protocol. During the Reporting Period, the Company formulated the information technology risk management measures, the measures on management of concentration risk regarding the same customer and subject, etc., and revised measures on comprehensive risk management, new business compliance and risk management measures, working rules of the risk management committee, and the authorization management measures subsidiary compliance and risk management measures, business system authority and information security management measures, risk management system authority management measures, etc., in accordance with the latest regulatory requirements and the adjustment to the Company's organizational structure.

4. Risk appetite system

Risk appetite is the Company's overall attitude towards risks, as well as the type and level of risks it is willing to bear after taking into full consideration of net capital, assets and liabilities, solvency, liquidity, external ratings, compliance operations and future business risks and opportunities, provided that the requirements of stakeholders including creditors, customers, regulatory authorities and rating agencies have been satisfied.

The Company sorts out the expectation and requirement of respective stakeholders (including Shareholders, regulatory authorities, rating agencies, the Board and senior management), sets specific goals based on the core aspects including development strategies, operation performance, capital strength, liquidity, compliance and external rating and forms the Company's risk appetite system. On the basis of a complete overall risk appetite setting, the Company describes the risk boundaries of different dimensions such as overall risk and major risks through quantized risk tolerance indicators. Subject to risk appetite and risk tolerance, the Company sets limits on key risk indicators and conducts risk monitor and control based on those limits.

During the Reporting Period, after consideration and approval by the Board, the Company defined the Group's risk appetite, tolerance and limit for 2021, and differentiated different dimensions such as risk types and subsidiaries for decomposition and transmission and implemented in the ordinary course of business. In 2021, the Group's various indicators remained stable under its risk appetite system.

Section III Discussion and Analysis of the Board of Directors

5. Measures against various risks

1) *Market risks*

Market risks are those that may cause loss to the Company due to unfavorable changes of market prices, which include but not limited to interest rates, exchange rate, stock prices and commodity prices. The businesses of the Company that involve market risks mainly include the investment and transactions of equity securities and their derivatives, the investment and transactions of fixed-income securities and their derivatives as well as low-risk and non-directional transactions such as foreign exchange transactions, precious metal transactions and commodity transactions.

The Company implements limit management for market risks and formulates a market risk limit system comprising business scale, loss limit, Value at Risk (VaR), exposure, Greek letters, effectiveness of hedge and concentration, and various types of risk indicators. It determines the alarm standards, warning standards and responding measures for market risks. The Company conducts daily monitoring for market risk limits by using its risk management system to monitor the operation of its businesses. We report market risk monitoring and management conditions, and conduct specialized analysis on risk matters, in order to provide basis for decision making. The Company adopts methods such as Value at Risk (VaR) and Stress Test to analyze and assess market risk. The Company's Value at Risk (VaR) calculation applies a historical comparative method based on the historical data for the previous 12 months, assuming the holding period is one day and the confidence level is 95%. The calculation model of VaR covers equity price risk, interest rate risk, commodity price risk and exchange rate risk. The Company regularly reviews the effectiveness of VaR model through the back testing method.

The following table sets forth the VaR of the Company by risk types as at the dates and for the periods indicated: (1) the daily VaR as of the end of the respective period; (2) the average value, the minimum value and maximum value of the daily VaR for the respective period.

Section III Discussion and Analysis of the Board of Directors

Value at Risk (VaR) of the Group for 2021

Unit: ten thousand yuan Currency: RMB

Category	31 December	31 December	Average	2021	
	2021	2020		Minimum	Maximum
Equity price-sensitive					
financial instruments	18,322	22,669	17,278	15,246	24,315
Interest rate-sensitive					
financial instruments	11,032	22,224	13,836	10,715	24,455
Commodity price-sensitive					
financial instruments	2,068	2,285	2,106	1,317	4,434
Exchange rate-sensitive					
financial instruments	2,652	3,404	2,947	2,258	3,641
Risk diversification effect	(7,751)	(18,908)	(9,137)	(5,022)	(19,692)
Total portfolio VaR	26,322	31,674	27,030	24,958	33,389

Note: VaR of the Group covers the financial assets of the self-funded investment business of the Group.

In addition to the VaR, the Company actively uses stress tests to measure and assess possible losses under extreme market conditions. The Company regularly conducts comprehensive and special stress tests to strengthen risk assessment and development monitoring in connection with the trading and investment businesses, and applies its results of stress tests to market risk management and limit management.

During the Reporting Period, the Group conducted foreign exchange risk management. The foreign exchange risk exposures were managed by adjusting currency positions and using foreign exchange derivatives as hedging instruments, conducted within an extent of controllable risks.

As at the end of 2021, the Company's market risk is generally controllable, and no major market risk events occurred.

2) Credit risks

Credit risks are those that may cause a loss to the Company due to failures to perform their obligations stipulated in relevant contracts by securities issuers, counterparties and debtors or the changes of market value of the debts caused by the changes of credit rating or contract performance capacity. The Company's current credit risks mainly concentrate on the bond investment business, margin financing and securities lending business, stock-pledged financing transaction business and OTC derivatives business.

Section III Discussion and Analysis of the Board of Directors

The Company implements access management for credit risks. Before conducting relevant businesses including credit risks, clients' credits will be rated. If the rating result is within the accessible credit rating, the credit may be granted and business may be carried out. Before the application for rating clients' credit and granting credit, each business department shall conduct due diligence. As for clients whose credit rates satisfy access conditions, the credit line shall be determined according to the particulars of clients.

The Company mitigates credit risk through methods such as collecting deposits, qualified collaterals and netting settlements. An entry threshold has been formulated for bond investment business and through white list management and concentration control, the credit risks of bond positions are being continuously tracked and assessed. Credit business department sets detailed access standards and discount rates for collaterals according to the characteristics of their specific business.

Access standards and discount rates will be reviewed regularly by the Company. When there is a significant change in market or policies or there is a significant credit event related to the relevant entity applying for the credit, the access standards and discount rates shall be reviewed randomly. For collaterals other than cash, the Company conducts marking to market management and assesses collaterals' value. The Company analyzes credit risk factors of each business, identifies the credit risks for the business and conducts credit risks concentration management and measurement and assessment. The Company conducts credit risk management for its large clients in respect of concentration risk control targets. The Company uses analysis methods such as concentration, probability of default, default loss rate, credit exposure and collateral coverage rate as credit risk measures. The Company sets reasonable credit risk stress scenarios, conducts stress tests and analyzes the results thereof.

As at the end of 2021, the Company's credit risk was generally controllable, and no major credit default events occurred in bond investment business. The average performance guarantee ratio of the margin loans for the stock-pledged financing business was 318%, and the average of the guarantee ratio for clients with outstanding liabilities in margin financing and securities lending business maintained at 311%.

3) *Liquidity risks*

Liquidity risks are those we might face when we are not able to obtain sufficient funds in time at reasonable costs or price to repay debts that are due, fulfil other payment obligations and satisfy the funding requirements for ordinary business operation.

Section III Discussion and Analysis of the Board of Directors

The Company mainly adopts the risk indicators analysis method to assess its overall liquidity risks, i.e., the Company assesses and measures its overall liquidity risk condition by analyzing key indicators such as the liquidity coverage ratio, net stable funding ratio, leverage multiple, cash flow term gap, net size of the cash management pool, liquidity ratio, liquidity reserve ratio as well as asset and liability concentration. The Company establishes a liquidity risk limit system, conducts limit management on liquidity risks and monitors and reports the implementation of limits. The Company establishes a quantitative model for the liquidity risk of financial assets, and measures the liquidity of various types of exchange and over the counter financial assets on a daily basis to assess the liquidity risk of various financial assets.

The Company explores and maintains financing channels, continuously keeps an eye on the risk conditions of significant capital providers, and regularly monitors the conditions of significant capital providers' transactions with the Company. The Company concerns the changes of capital markets, assesses the ability and cost of supplementing its liquidity by issuing stocks, bonds and other financing instruments and mitigates its period mismatch by supplementing its middle-to-long term liquidity. Under the premise of controlling the liquidity risk at the overall level, the Company pays attention to liquidity risk management at various business line levels, to focus on identifying, assessing, monitoring and controlling the fund management business, trading and investment proprietary business, brokerage business, credit business, investment banking business, and liquidity risk factors of the subsidiaries.

The Company conducts liquidity risk stress tests on a regular or ad hoc basis, simulates the losses that may occur under extreme liquidity pressures, assesses and judges the Company's ability to withstand risks and fulfill its payment obligations in extreme situations, and takes necessary measures to respond to the test conclusions.

The Company establishes and continuously improves the contingency plan for liquidity risks, which includes taking measures such as transferring, decentralizing and reducing risks exposure to reduce the level of liquidity risks. The Company also establishes emergency response or standby systems, procedures and measures for natural disasters, system failures and other emergencies so as to reduce losses and reputation damages that the Company may suffer. The contingency plan will be rehearsed and assessed regularly and emergency response arrangements will be continually updated and improved.

In 2021, the liquidity of the market was generally reasonable and sufficient with occasional fluctuations. The Company's liquidity coverage ratio and net stable funding ratio met the regulatory requirement. The net size of the cash management pool was higher than the minimum scale limit set by the Company and the overall liquidity status was good.

Section III Discussion and Analysis of the Board of Directors

4) *Operational risks*

Operational risks are the possibility of losses caused by the failures of internal systems and procedures, improper employee behaviors, IT risks and the influence of external events.

The Company sorts out the key risk points and control processes of each business, manages daily operational risks by using the operational risk management system, and establishes the self-evaluating procedure of operational risk and control. Each department, branch and subsidiary actively identifies operational risks in their internal systems and procedures, employee behaviors and IT systems to ensure that the operational risks in existing and new businesses and management are adequately assessed. The Company systematically gathers and organizes the information of the events of operational risk and loss data, establishes key operational risk indicator system and monitors its process, and prepares periodical reports. In terms of significant operational risk events, it will provide specific valuation reports to ensure that the operational risk situation of the Company could be fully understood in a timely manner, which in turn facilitates their decision-making regarding the response to the risks or the initiation of contingency plans.

The Company continuously strengthens the security of information systems, formulates a comprehensive emergency response plan for information security events, and conducts regular assessment over the main plan and sub plan of emergency response. It also arranges various rehearsals against incidents, disaster and other scenarios that cover all important information systems in the headquarters and all branches, and improves, modifies and upgrades its system and emergency response plan based on the results of rehearsal and findings identified.

In 2021, the Company's information technology and operation affairs ran smoothly in a safe way with no significant operational risk events. The fault backup and recovery time for each information system emergency rehearsal reached our established goal, which has proved that the Company's core information system has incident and disaster response capabilities.

5) *Reputational risk*

Reputational risk is the risk of negative evaluation to the Company's reputation as a result of its operations, management and other actions or external events. The Company incorporates reputational risk management into a comprehensive risk management system, establishes a reputational risk management mechanism, and sets up a brand center as the Company's reputational risk management department under the executive office, requiring all departments, branches, sales offices and subsidiaries to actively and effectively prevent reputational risks and respond to reputational risk events, accurately identify, prudently evaluate, dynamically monitor, timely respond to and manage the reputational risks in the process of business management, and minimize losses and negative impacts on the Company's reputation and brand image.

In 2021, the Company improved the reputational risk monitoring and early warning mechanism, had stable overall public sentiment and no major reputational risk events occurred.

Section III Discussion and Analysis of the Board of Directors

(V) Others

Applicable Not applicable

1. Business innovation during the Reporting Period

For details, please refer to “IV. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD” in this section.

2. Risk control for business innovation

- 1) The Company has included innovative business in its comprehensive risk management system. Based on the development and risk profile of innovative business, the Company has established a complete decision-making mechanism, a management model and an organization structure catering for its business and formulated relevant compliance and risk management policies for the innovative business to standardize the risk management for the innovative business during the entire process. The sustainable and healthy development of each innovative business on the premise of building the capability to monitor, control and bear risks was ensured through risk assessment and determination, inspection before launch and continuous management for innovative business. Before the launch of innovative business, risk management departments of the Company conducted compliance verification, identification and assessment, measurement and analysis, and directed business department to improve internal control mechanism in relation to policies and procedures.
- 2) The Company has established multi-level risk control and warning mechanism for innovative business and designed various risk control indicators and risk limits for each level based on the risk profile of the business, which enabled dynamic track to the risks of innovative business. In the course of each particular business, the specific compliance and risk controller of business department was responsible for overseeing the market and the risk management department conducted independent monitoring, so as to prompt risk warning in case of abnormal risk control indicators and take corresponding risk control measures based on the level of the risk warning, therefore ensuring the risk level of innovative business at any time was within the tolerance of the Company.
- 3) The Company has established the policy of regular report and significant risk event report for innovative business to issue regular risk information report for the innovative business, ensuring that all the staff and senior management involved in innovative business were informed of all necessary business, risk and management information on a timely basis. When the operation of innovative business was impacted by reason of external market turmoil, internal management problems and technical system failure, which might result in significant loss to the interest or reputation of the Company, the responsible department or the internal control department that identified the risk should immediately report to the business leader, the chief risk officer and the risk management department for the implementation of existing contingency plan or proposing new response plan based on the actual situation by the decision makers.

Section III Discussion and Analysis of the Board of Directors

- 4) The Company conducted special review on the conduction of innovative business on a regular basis to improve the internal control and risk response capacity of the business. Such special review covered important steps of innovative business and management. Each of the related departments studied and analyzed the conduction and internal control mechanism of innovative business based on the findings of special review, improved the management policies, operation process and corresponding control mechanism, and completed the contingency plan for innovative business, ensuring the stable and healthy development of innovative business.

3. The establishment of dynamic risk control indicators monitoring and capital replenishment mechanism, risk control indicators that do not meet the required standards, rectification measures and rectification effect during the Reporting Period

(1) *The establishment of dynamic risk control indicators monitoring mechanism of the Company*

- a) In order to establish and improve the dynamic monitoring of the Company's risk control indicators and capital replenishment mechanism, strengthen risk monitoring and carry out various businesses under measurable, controllable and sustainable risks, according to the Administrative Measures for the Risk Control Indicators of Securities Companies《(證券公司風險控制指標管理辦法)》 issued by the CSRC, the Guidelines for Dynamic Monitoring System of Risk Control Indicators of Securities Companies《(證券公司風險控制指標動態監控系統指引)》 issued by the SAC and other relevant regulations, the Company has formulated the Administrative Measures for the Net Capital and Liquidity Risk Control Indicators of Guotai Junan Securities Co., Ltd.《(國泰君安證券股份有限公司淨資本和流動性風險控制指標管理辦法)》 and the Guidelines for Dynamic Monitoring System of Risk Control Indicators of Guotai Junan Securities Co., Ltd.《(國泰君安證券股份有限公司風險控制指標動態監控系統工作指引)》 and other internal systems.
- b) In accordance with regulatory requirements, the Company has established a dynamic monitoring system of risk control indicators to achieve dynamic monitoring and automatic warning of risk control indicators. The dynamic monitoring system of the Company can cover various business data that affect the net capital and liquidity risk control indicators and dynamically calculate various risk control indicators including net capital and liquidity; carry out dynamic monitoring based on the characteristics of each business, and automatically warn the risk control indicators such as net capital and liquidity according to the preset monitoring standards; generate dynamic monitoring reports on risk control indicators such as net capital and liquidity.

Section III Discussion and Analysis of the Board of Directors

- c) The Company shall monitor various risk control indicators such as net capital and liquidity in accordance with the relevant provisions of the CSRC, prepare supervision reports on risk control indicators, and make classified warning and follow-up reports on risk information in a timely manner; all relevant departments of the Company shall carry out their work within the scope of their responsibilities, provide relevant information with good quality on a timely basis, and make regular follow-up control and analysis on relevant indicators of the system.

(2) Non-compliance and rectification measures

- a) When the Company's net capital or other risk control indicators reach the warning level prescribed by the CSRC or fail to meet the stipulated requirement, the Company shall file a written report to the relevant local office of the CSRC within three working days and one working day, respectively, to explain the basic situation, the cause of the problem and the specific measures and deadline to solve the problem.
- b) As at the end of 2021, each risk control indicator of the Company met the required standards.

VII. THE SITUATION IN WHICH THE COMPANY FAILED TO DISCLOSE INFORMATION DUE TO NON-APPLICABILITY OF STANDARDS OR SPECIAL REASONS SUCH AS STATE SECRETS AND TRADE SECRETS AND REASONS THEREFOR

Applicable Not applicable

Section IV Corporate Governance

I. CORPORATE GOVERNANCE

Applicable Not applicable

As a company listed on the SSE and the Hong Kong Stock Exchange, the Company has strictly complied with laws, regulations and regulatory documents required to it. The Company keeps improving its corporate governance structure and system in order to enhance its corporate governance.

According to the requirements of laws, regulations and regulatory documents such as the Company Law of the PRC, the Securities Law of the PRC, the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》), the Rules for Governance of Securities Companies (《證券公司治理準則》) and Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Company has established a sound and complete corporate governance structure, comprising the general meeting, the Board, the Supervisory Committee and the management of the Company to form a complete corporate governance system for discussion, decision-making, delegation and implementation with clear responsibilities, regulated operation, coordination and balance among the competent authorities, the decision-making body, the supervision body and management.

During the Reporting Period, the Company has strictly complied with the code provisions under the Corporate Governance Code and satisfied most requirements of provisions for recommended best practices. During the Reporting Period, the Company has completed the re-election of the Board, the Supervisory Committee and the management, the composition of the Board has become more diversified, professional and international and the members of the management has become younger, the Board has expanded the Strategy Committee into the Strategy and ESG Committee by adding ESG governance functions to help the Company achieve sustainable and high-quality development; the Chairman of the Company has communicated with non-executive Directors via various channels such as meetings to obtain suggestions and advice, and has held special strategy seminars to discuss and improve the Company's development strategy; the management of the Company has reported monthly operation and management to directors and supervisors on a monthly basis; the Chairman, Directors, the president, secretary to the Board and other management personnel of the Company have communicated with the Shareholders via result announcement conferences, roadshows, investor receptions, online interactions, telephone and other methods, held an investor open day event for the first time and continued to improve its corporate governance.

During the Reporting Period, the Company has convened two general meetings; eleven Board meetings, including five regular meetings and six extraordinary meetings; and nine supervisory committee meetings. The convening, proposals, voting resolutions and minutes of each of these general meeting, Board meetings and supervisory committee meetings were in compliance with requirements under relevant laws, regulations, regulatory documents, the Articles of Association, Rules of Procedure of General Meetings (《股東大會議事規則》), Rules of Procedure of Board Meetings (《董事會議事規則》), and Rules of Procedure of Supervisory Committee Meetings (《監事會議事規則》). Each of the Directors and Supervisors has performed their duties and obligations with diligence and each of the independent Directors has considered the proposals and provided independent opinion with due care in

Section IV Corporate Governance

accordance with the Working System for Independent Directors (《獨立董事工作制度》), assuring Shareholders to exercise their rights under relevant laws, taking into sufficient account the interests of minority Shareholders and making no detriment to the interests of minority Shareholders.

Whether there is any significant difference between corporate governance of the Company and requirements of laws, administrative regulations and regulations of the CSRC on governance of listed companies; if any, reasons should be explained

Applicable Not applicable

II. SPECIFIC MEASURES TAKEN BY THE CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS OF THE COMPANY TO ENSURE THE INDEPENDENCE OF THE COMPANY'S ASSETS, PERSONNEL, FINANCE, ORGANIZATION, BUSINESS, ETC., AS WELL AS THE SOLUTIONS, WORK PROGRESS AND FOLLOW-UP WORK PLANS THAT AFFECT THE COMPANY'S INDEPENDENCE ^{NOTE}

Applicable Not applicable

The controlling shareholders and de facto controllers of the Company have established a relatively sound corporate governance structure and business operation system to ensure the independence of the Company's assets, personnel, finance, organization, business and etc. In terms of assets, both parties have their own independent business premises and do not have joint offices or mixed assets, and the ownership of assets is clear; in terms of personnel, the management and business teams of both parties are completely separated and do not have concurrent posts, and have independent and complete systems for labor relations, labor contracts, personnel, wage management and social insurance, etc.; In terms of finance, both parties have established independent financial and accounting institutions, with independent accounting budgets, accounting systems and financial management systems, independent bank accounts and independent tax payments and no financial personnel holding concurrent posts in the Company; in terms of institutions, both parties have established an independent and complete business system and an independent administrative management system, and there is no administrative affiliation between each functional organization and the Company; in terms of business, both parties have established an independent business operation mechanism.

Information of controlling shareholders, de facto controllers and other entities controlled by them that are engaged in businesses same as or similar to that of the Company, the impact of horizontal competition or major changes in horizontal competition on the Company, and the resolution measures that have been taken, the progress of resolution and follow-up resolution plans

Applicable Not applicable

Note: controlling shareholders and de facto controllers referred to herein have the meanings as defined in the listing rules of the Shanghai Stock Exchange.

Section IV Corporate Governance

III. INFORMATION OF GENERAL MEETINGS

Meeting session	Convening date	The address of the designated website for publishing resolutions	The disclosure date for publishing resolutions	Resolutions at the meeting
2020 Annual General Meeting	28 June 2021	http://www.sse.com.cn http://www.hkexnews.hk	28 June 2021	The Work Report of the Board of the Company for 2020, the Work Report of the Supervisory Committee of the Company for 2020, the Resolution on the Proposal to Consider the Profit Distribution Plan of the Company for 2020, the Resolution on the Proposal to Consider the Re-appointment of Accounting Firm, the Resolution on the Proposal to Consider the Annual Report of the Company for 2020, the Resolution on the Potential Related Party Transactions Contemplated in the Ordinary Course of Business of the Company in 2021, the Resolution on the Proposal to Consider the General Mandate to Issue Onshore and Offshore Debt Financing Instruments, the Resolution on the Proposal to Consider the General Mandate to Issue Assets-backed Securities, the Resolution on the Proposal to Consider the Potential Related Party Transactions Involved in the Issuance of Onshore and Offshore Debt Financing Instruments and Assets-backed Securities, the Resolution on the General Mandate to the Board to Issue Additional A Shares and/or H Shares, the Resolution on Proposing to Determine the Remuneration for Directors of the Sixth Session of the Board and Supervisors of the Sixth Session of the Supervisory Committee at the General Meeting, the Resolution on the Election of Non-independent Directors of the Sixth Session of the Board, the Resolution on the Election of Independent Directors of the Sixth Session of the Board and the Resolution on the Election of Non-employee Representative Supervisors of the Sixth Session of the Supervisory Committee were considered and approved.

Section IV Corporate Governance

Meeting session	Convening date	The address of the designated website for publishing resolutions	The disclosure date for publishing resolutions	Resolutions at the meeting
2021 First Extraordinary General Meeting	25 November 2021	http://www.sse.com.cn http://www.hkexnews.hk	25 November 2021	The Resolution on the Proposed Appointment of Mr. ZHANG Yipeng as a Non-independent Director of the Sixth Session of the Board, the Resolution on the Proposed Appointment of Mr. CHAI Hongfeng as an Independent Non-executive Director of the Sixth Session of the Board, the Resolution on the Proposed Amendments to the Articles of Association and the Resolution on the Repurchase and Cancellation of Part of the Restricted A Shares were considered and approved.
2021 First A Share Class Meeting	25 November 2021	http://www.sse.com.cn http://www.hkexnews.hk	25 November 2021	The Resolution on the Repurchase and Cancellation of Part of the Restricted A Shares were considered and approved.
2021 First H Share Class Meeting	25 November 2021	http://www.sse.com.cn http://www.hkexnews.hk	25 November 2021	The Resolution on the Repurchase and Cancellation of Part of the Restricted A Shares was considered and approved.

Request for convening of an extraordinary general meeting by the holders of preferred shares with voting rights restored

Applicable Not applicable

General meetings

Applicable Not applicable

Section IV Corporate Governance

IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in the shareholdings and remuneration of the current directors, supervisors and senior management of the Company and those who resigned during the Reporting Period

√ Applicable □ Not applicable

Unit: share

Name	Title (Note)	Gender	Age	Start date of the term	Closing date of the term	Shares held at the beginning of the year	Shares held at end of year	Amount of increase or decrease of shares within the year	Reasons for the changes	Total remuneration before tax received from the Company during the Reporting Period (RMB0' 000)	Whether having received remunerations from the related parties of the Company
HE Qing	Chairman of the Board, Executive Director	Male	50	28 June 2021	Till expiry	-	-	-	-	114.08	No
WANG Song	Vice chairman of the Board, Executive Director, President	Male	58	28 June 2021	Till expiry	722,000	722,000	-	-	253.19	No
YU Jian	Executive Director, Secretary of the Board	Male	57	28 June 2021	Till expiry	595,000	595,000	-	-	516.36	No
LIU Xinyi	Non-executive Director	Male	56	28 June 2021	Till expiry	-	-	-	-	-	Yes
GUAN Wei	Non-executive Director	Female	50	28 June 2021	Till expiry	-	-	-	-	-	Yes
ZHONG Maojun	Non-executive Director	Male	52	28 June 2021	Till expiry	-	-	-	-	-	Yes
CHEN Hua	Non-executive Director	Male	47	28 June 2021	Till expiry	-	-	-	-	-	Yes
WANG Wenjie	Non-executive Director	Male	52	28 June 2021	Till expiry	-	-	-	-	-	Yes
ZHANG Zhan	Non-executive Director	Male	41	28 June 2021	Till expiry	-	-	-	-	7.5	Yes
ZHANG Yipeng	Non-executive Director	Male	57	25 November 2021	Till expiry	-	-	-	-	-	Yes
AN Hongjun	Non-executive Director	Male	46	28 June 2021	Till expiry	-	-	-	-	-	Yes
XIA Dawei	Independent non-executive Director	Male	69	28 June 2021	19 May 2022	-	-	-	-	25	No
DING Wei	Independent non-executive Director	Male	62	28 June 2021	Till expiry	-	-	-	-	12.5	Yes
LI Renjie	Independent non-executive Director	Male	67	28 June 2021	Till expiry	-	-	-	-	12.5	No
BAI Wei	Independent non-executive Director	Male	57	28 June 2021	Till expiry	-	-	-	-	12.5	Yes
LEE Conway Kong Wai	Independent non-executive Director	Male	67	28 June 2021	11 April 2023	-	-	-	-	25	No
CHAI Hongfeng	Independent non-executive Director	Male	64	25 November 2021	Till expiry	-	-	-	-	-	No
LI Zhongning	Chairman of the Supervisory Committee	Female	59	28 June 2021	Till expiry	-	-	-	-	106.53	No

Section IV Corporate Governance

Name	Title (Note)	Gender	Age	Start date of the term	Closing date of the term	Shares held at the beginning of the year	Shares held at end of year	Amount of increase or decrease of shares within the year	Reasons for the changes	Total remuneration before tax received from the Company during the Reporting Period (RMB0' 000)	Whether having received remunerations from the related parties of the Company
WU Hongwei	Vice chairman of the Supervisory Committee, employee representative Supervisor	Male	55	28 June 2021	Till expiry	-	-	-	-	35.93	No
ZHOU Zhaohui	Supervisor	Male	51	28 June 2021	Till expiry	-	-	-	-	7.5	Yes
SHEN Yun	Supervisor	Male	43	28 June 2021	Till expiry	-	-	-	-	7.5	Yes
ZUO Zhipeng	Supervisor	Male	52	28 June 2021	Till expiry	-	-	-	-	15	Yes
SHAO Liangming	Employee representative Supervisor	Male	50	28 June 2021	Till expiry	-	-	-	-	49.16	No
XIE Min	Employee representative Supervisor	Male	52	28 June 2021	Till expiry	-	-	-	-	24.58	No
GONG Dexiong	Vice president	Male	52	28 June 2021	Till expiry	350,000	350,000	0	-	219.21	No
XIE Lebin	Vice president	Male	54	28 June 2021	Till expiry	595,000	595,000	0	-	93.94	No
LUO Dongyuan	Vice president	Male	53	28 June 2021	Till expiry	595,000	595,000	0	-	123.07	No
NIE Xiaogang	Vice president, Chief Financial Officer, Chief Risk Officer	Male	49	28 June 2021	Till expiry	315,000	315,000	0	-	115.10	No
LI Junjie	Vice president	Male	46	28 June 2021	Till expiry	-	599,686	599,686	Restricted Share Incentive Scheme of A Shares	44.32	No
ZHANG Zhihong	Chief Compliance Officer	Female	52	28 June 2021	Till expiry	595,000	595,000	-	-	443.93	No
ZHOU Lei (resigned)	Former non-executive Director	Male	43	19 May 2016	28 June 2021	-	-	-	-	-	Yes
LIN Facheng (resigned)	Former non-executive Director	Male	45	28 May 2018	28 June 2021	-	-	-	-	7.5	Yes
ZHOU Hao (resigned)	Former non-executive Director	Male	51	6 June 2018	28 June 2021	-	-	-	-	-	Yes
FAN Remyi (resigned)	Former non-executive Director	Male	56	28 June 2021	9 July 2021	-	-	-	-	-	Yes
SHI Derong (resigned)	Former independent non-executive Director	Male	73	19 May 2016	28 June 2021	-	-	-	-	-	Yes
CHEN Guogang (resigned)	Former independent non-executive Director	Male	62	19 May 2016	28 June 2021	-	-	-	-	12.5	Yes
LING Tao (resigned)	Former independent non-executive Director	Male	67	19 May 2016	28 June 2021	-	-	-	-	12.5	No
JIN Qingjun (resigned)	Former independent non-executive Director	Male	64	19 May 2016	28 June 2021	-	-	-	-	12.5	Yes
ZHU Ning (resigned)	Former independent non-executive Director	Male	48	28 June 2021	29 July 2021	-	-	-	-	2.08	No

Section IV Corporate Governance

Name	Title (Note)	Gender	Age	Start date of the term	Closing date of the term	Shares held at the beginning of the year	Shares held at end of year	Amount of increase or decrease of shares within the year	Reasons for the changes	Total remuneration before tax received from the Company during the Reporting Period (RMB0' 000)	Whether having received remunerations from the related parties of the Company
WANG Lei (resigned)	Former vice chairman of the Supervisory Committee, Former employee representative Supervisor	Male	56	17 June 2019 4 June 2019	28 June 2021	-	-	-	-	35.93	No
SHAO Chong (resigned)	Former Supervisor	Male	62	19 May 2016	28 June 2021	-	-	-	-	7.5	No
FENG Xiaodong (resigned)	Former Supervisor	Male	55	28 May 2018	28 June 2021	-	-	-	-	7.5	Yes
WANG Weijie (resigned)	Former employee representative Supervisor	Male	59	19 May 2016	28 June 2021	-	209,810	209,810	Restricted Share Incentive Scheme of A Shares	216.06	No
LIU Xuefeng (resigned)	Former employee representative Supervisor	Male	58	19 May 2016	28 June 2021	-	269,039	269,039	Restricted Share Incentive Scheme of A Shares	211.87	No
JIANG Yiming (resigned)	Former vice president	Male	58	22 November 2013	28 June 2021	650,000	650,000	-	-	146.39	No
CHEN Yutao (resigned)	Former vice president	Male	59	28 November 2016	28 June 2021	650,000	650,000	-	-	145.63	No
Total	/	/	/	/	/	5,067,000	6,145,535	1,078,535	/	3,082.36	/

Notes:

- On 24 June 2021, Mr. WU Hongwei, Mr. SHAO Liangming and Mr. XIE Min were elected as the employee representative Supervisors of the sixth session of the Supervisory Committee at the twelfth meeting of the fourth session of the employee representatives general meeting of the Company; Mr. WANG Lei, Mr. WANG Weijie and Mr. LIU Xuefeng ceased to serve as the employee representative Supervisors.
- On 28 June 2021, the Resolution on the Election of Non-independent Directors of the Sixth Session of the Board, the Resolution on the Election of Independent Directors of the Sixth Session of the Board and the Resolution on the Election of Non-employee Representative Supervisors of the Sixth Session of the Supervisory Committee were considered and approved at the 2020 Annual General Meeting of the Company and Mr. HE Qing, Mr. WANG Song, Mr. YU Jian, Mr. LIU Xinyi, Ms. GUAN Wei, Mr. ZHONG Maojun, Mr. CHEN Hua, Mr. WANG Wenjie, Mr. ZHANG Zhan, Mr. FAN Renyi and Mr. AN Hongjun were elected as the non-independent Directors of the sixth session of the Board of the Company; Mr. XIA Dawei, Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. ZHU Ning and Mr. LEE Conway Kong Wai were elected as the independent non-executive Directors of the sixth session of the Board of the Company; Ms. LI Zhongning, Mr. ZHOU Zhaohui, Mr. SHEN Yun and Mr. ZUO Zhipeng were elected as the Supervisors of the sixth session of the Supervisory Committee of the Company. Mr. ZHOU Lei, Mr. LIN Facheng, Mr. ZHOU Hao, Mr. SHI Derong, Mr. CHEN Guogang, Mr. LING Tao and Mr. JIN Qingjun ceased to serve as the Directors; Mr. SHAO Chong and Mr. FENG Xiaodong ceased to serve as the Supervisors.
- On 28 June 2021, the Resolution on Proposed Election of Chairman and Vice Chairman of the Sixth Session of the Board was considered and approved at the first meeting of the sixth session of the Board of the Company and Mr. HE Qing was elected as the chairman of the sixth session of the Board of the Company and Mr. WANG Song was elected as the vice chairman of the sixth session of the Board of the Company.

Section IV Corporate Governance

4. On 28 June 2021, the Resolution on Proposed Election of Chairman and Vice Chairman of the Sixth Session of the Supervisory Committee was considered and approved at the first meeting of the sixth session of the Supervisory Committee of the Company and Ms. LI Zhongning was elected as the chairman of the sixth session of the Supervisory Committee of the Company and Mr. WU Hongwei was elected as the vice chairman of the sixth session of the Supervisory Committee of the Company.
5. On 28 June 2021, the Resolution on Proposed Appointment of Senior Management was considered and approved at the first meeting of the sixth session of the Board of the Company and Mr. WANG Song was appointed as the president of the Company; Mr. GONG Dexiong, Mr. XIE Lebin, Mr. LUO Dongyuan, Mr. NIE Xiaogang and Mr. LI Junjie were appointed as the vice presidents of the Company; Mr. NIE Xiaogang was appointed as the Chief Financial Officer and Chief Risk Officer of the Company; Mr. YU Jian was appointed as the secretary to the Board of the Company; Ms. ZHANG Zhihong was appointed as the Chief Compliance Officer of the Company; Mr. JIANG Yiming and Mr. CHEN Yutao ceased to serve as the vice presidents of the Company.
6. On 9 July 2021, Mr. FAN Renyi resigned as a Director of the Company due to his business engagement. On 29 July 2021, Mr. ZHU Ning resigned as an independent Director of the Company due to his business engagement.
7. On 25 November 2021, the Resolution on Election of Mr. ZHANG Yipeng as a Non-independent Director of the Sixth Session of the Board and the Resolution on Election of Mr. CHAI Hongfeng as an Independent Director of the Sixth Session of the Board were considered and approved at the 2021 first extraordinary general meeting of the Company and Mr. ZHANG Yipeng was elected as a Director of the sixth session of the Board of the Company and Mr. CHAI Hongfeng was elected as an independent Director of the sixth session of the Board of the Company.
8. On 12 August 2020, the Resolution on Proposing to Consider the Restricted Share Incentive Scheme of A Shares of the Company and its Summary was considered and approved at the 2020 first extraordinary general meeting of the Company; the Company completed the registration for the First Grant of the Restricted A Shares on 2 November 2020 and completed the registration for the grant of reserved Restricted A Shares on 29 September 2021.
9. In accordance with the provisions of the Regulations on Supervision and Administration of Securities Companies, the remuneration structure and level for the Chairman and the chairman and vice chairman of the Supervisory Committee shall be determined in accordance with Opinions on Deepening the Remuneration System Reform of Senior Management of the State-owned Enterprises 《關於深化國有企業領導人員薪酬制度改革意見》 in Shanghai and the relevant requirements of the competent authorities at the higher level since 1 January 2015. Payment for 40% of the annual performance-based bonus of the full-time professional managers, the secretary to the Board and senior management of the Company shall be deferred for a period of three years. The deferred payment of remuneration shall be divided equally. Among which, the remuneration structure and level for the president and vice president of the Company shall be determined in accordance with the Implementation Plan on Further Deepening the Remuneration System Reform of the Professional Managers 《進一步深化職業經理人薪酬制度改革實施方案》 as approved by the competent authorities at the higher level since 1 January 2020.
10. The statistical caliber for the remuneration of the directors, supervisors and senior management during the Reporting Period is based on the remuneration received from their offices of directors, supervisors and senior management, excluding the remuneration received from other positions.
11. The registration of the restricted A shares of the Company acquired by Mr. LI Junjie, Mr. Wang Weijie and Mr. LIU Xuefeng was completed on 29 September 2021.
12. According to the Resolution on Proposing to Review the Remuneration for Director of the Fifth Session of the Board and Supervisors of the Fifth Session of the Supervisory Committee reviewed and passed on the annual general meeting for the year 2015 and the Resolution on Proposing to Review the Remuneration for Director of the Sixth Session of the Board and Supervisors of the Sixth Session of the Supervisory Committee reviewed and passed on the annual general meeting for the year 2020, each of the independent Directors receives a remuneration of RMB250,000 each year before tax; each of the Directors nominated by the Shareholders and Supervisors nominated by the Shareholders is entitled to a remuneration of RMB150,000 each year before tax. The directors and the employee representative Supervisor who hold other positions in the Company will not receive any other payment as the Directors and Supervisors in addition to the remunerations they receive from the Company. During the year, Mr. LIU Xinyi, Ms. GUAN Wei, Mr. ZHONG Maojun, Mr. CHEN Hua, Mr. WANG Wenjie, Mr. ZHANG Yipeng, Mr. AN Hongjun, Mr. ZHOU Lei (resigned), Mr. ZHOU Hao (resigned) and Mr. FAN Renyi (resigned), being directors of the Company and Mr. CHAI Hongfeng, and Mr. SHI Derong (resigned), being independent directors of the Company, have waived their remuneration.

Section IV Corporate Governance

Name	Major working experience
HE Qing	<p>Master of Business Administration and an economist. Mr. HE joined our Company in September 2019 and was appointed as the Chairman of the Board and Executive Director of the Company on 12 February 2020. Mr. HE successively served as a manager of corporate financing department of the Shanghai Branch of Chase Manhattan Bank and various positions in Bank of Shanghai Co., Ltd (a listed company on the Shanghai Stock Exchange with stock code of 601229), including a manager of international business department and assistant to the president of the Pudong Branch, the general manager of international business department, the general manager of corporate financing department, an assistant to the president, a vice president, the chairman of Shanghai Minhang BOS Rural Bank (上海閔行上銀村鎮銀行股份有限公司) and a director of BOS Asset Management Co., Ltd. (上銀基金管理有限公司). He also successively held the positions of a vice president, executive director and president of China Pacific Insurance (Group) Co., Ltd. (a listed company on the Shanghai Stock Exchange with stock code of 601601 and a listed company the Stock Exchange of Hong Kong Limited with stock code of 2601), a director of the China Pacific Property Insurance Co., Ltd., a director of the China Pacific Life Insurance Co., Ltd. and a director of Pacific Property Asset Management Co., Ltd. Before that, Mr. HE Qing also worked in the Shanghai Branch of Industrial and Commercial Bank of China Limited.</p>
WANG Song	<p>A postgraduate in industrial management engineering. Mr. WANG has served as the President of the Company since 21 August 2015, an executive director of the Company since 8 September 2015, and a deputy director of the Company from 8 September 2015 to 19 May 2016 and since 28 November 2016. Mr. WANG successively served as the deputy head of the Beijing office, deputy general manager of the issuance department and the general manager of bond department of Guotai Securities Co., Ltd.; the general manager of the first bond business department, and the general manager and the president of the head office of the fixed income securities department of the Company; president assistant and the president of the fixed income securities head office; the vice president; the president; the vice chairman of the Board, an executive director and the president; an executive director and the president. Before that, Mr. WANG Song also worked in the China Construction Bank.</p>
YU Jian	<p>Master of Business Administration. Mr. YU has been appointed as the secretary to the Board since 16 June 2009 and the executive director of the Company since 19 May 2016. Mr. YU successively served as the deputy manager of the securities issuance department, the manager of the first issuance division of the securities issuance department, and the deputy general manager of the securities issuance department of Guotai Securities Co., Ltd.; the deputy general manager of the investment banking department of the Company; the deputy division head, division head and the general manager of the corporate finance department; and the head of the listing office. Before that, Mr. YU Jian also worked in the research institution under the Ministry of Aerospace. Mr. YU has been appointed as the head of the office of the Board since January 2016.</p>

Section IV Corporate Governance

Name	Major working experience
LIU Xinyi	<p>A bachelor of management engineering, postgraduate in technical economics and master of engineering from Tongji University, a doctor of business administration from Shanghai Advanced Institute of Finance (SAIF-ASU) of Shanghai Jiao Tong University, and a senior economist. Mr. LIU has been appointed as the non-executive director of the Company since 15 June 2020. Mr. LIU is currently a director and president of Shanghai International Group Co., Ltd. (上海國際集團有限公司). Since joining Shanghai Pudong Development Bank (a listed company on the Shanghai Stock Exchange with stock code of 600000) in 1993, Mr. LIU consecutively served as deputy director of Airport Office, vice president of Airport Branch (executive), and deputy general manager of Shanghai Regional Headquarters, head of financial institutions division of Shanghai Financial Services Office (上海金融服務辦公室) (temporary), assistant director of Shanghai Financial Services Office (temporary), vice president and general manager of Shanghai Regional Headquarters, and president of Shanghai Branch, vice president and chief financial officer, and chief risk officer of Shanghai Pudong Development Bank, and president of First Sino Bank. From February 2014 to April 2015, he served as president and director of Shanghai Guosheng Group Company Limited (上海國盛(集團)有限公司). From April 2015 to November 2019, he served as president and vice chairman of Shanghai Pudong Development Bank, and chairman of SPD Silicon Valley Bank.</p>
GUAN Wei	<p>Formerly GUAN Zhaohui, master in management, and is a senior accountant. Ms. GUAN has been appointed as the non-executive director of the Company since 25 July 2019. Ms. GUAN successively served as the financial management department of Shanghai Jiushi Company (上海久事公司), the assistant manager of the financial management department of Shanghai Shentong Group Co., Ltd. (上海申通集團有限公司), deputy manager, manager of the financial management department, member of the disciplinary committee, manager of the audit and supervision department, and supervisor of Shanghai Jiushi Company, general manager and party branch secretary of Shanghai Metropolitan Tourism Card Development Co., Ltd. (上海都市旅遊卡發展有限公司), the chief financial officer of Shanghai Real Estate (Group) Co., Ltd. (上海地產(集團)有限公司). Ms. GUAN has served as the chief financial officer of Shanghai International Group Co., Ltd. since December 2018, the vice president of Shanghai International Group Co., Ltd. since September 2019 and the chairman of Shanghai State-owned Assets Operation Co., Ltd. since December 2021. Since July 2019, she has served as a director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司) (a listed company on the Shanghai Stock Exchange with stock code of 600000).</p>

Section IV Corporate Governance

Name	Major working experience
ZHONG Maojun	<p>Master of Laws. Mr. ZHONG has been appointed as the non-executive director of the Company since 1 June 2015. Mr. ZHONG successively served as the general manager's assistant of the investment banking department and the deputy head of the reorganization office of Orient Securities Co., Ltd. (東方證券有限責任公司). Mr. ZHONG then held several positions in Shanghai Municipal Financial Service Office, including the deputy head of the financial institution division, the deputy head of the financial stabilization division (in charge of execution), the head of the financial stabilization division, the head of the financial institution service division and the director of municipal financial state-owned assets supervisory service division, the chief operating officer and the general manager of the strategic research department of International Group. Mr. ZHONG has served as a director and the chief operating officer of International Group since May 2016, the general manager of the capital operation department of International Group from May 2016 to August 2017 and the chairman of the supervisory committee of Shanghai State-owned Assets Operation Co., Ltd. since April 2020.</p>
CHEN Hua	<p>Doctor of Management and a senior engineer. Mr. CHEN has been appointed as the non-executive director of the Company since 28 June 2021. Mr. CHEN began his career in July 1996 and successively worked as the deputy director of the corporate management department, the deputy director of planning and finance department and the deputy director of the strategy development department of Shanghai Airport Authority (上海機場(集團)有限公司); the deputy general manager of the Construction and Development Company of Shanghai Airport Authority; and the general manager of Airline Logistics Development Company, the Freight Hub Promotion Division of Shanghai Airport Authority. He has been an executive deputy general manager of Shanghai State-owned Assets Management Co., Ltd. since November 2018.</p>
WANG Wenjie	<p>Bachelor of Economics and a senior economist. Mr. WANG has been appointed as the non-executive director of the Company since 28 June 2019. Mr. WANG successively served as a clerk of the investment department of Guangzhou Planning Commission, an economist and business manager of the investment development department of Shenzhen Investment Management Company (深圳市投資管理公司), the chief executive officer and deputy general manager of Shenzhen Shentou Technology Venture Capital Co., Ltd. (深圳市深投科技創業投資有限公司), the deputy general manager of Shenzhen Lvpeng Agricultural Industry Co., Ltd. (深圳市綠鵬農科產業股份有限公司), the deputy director of the general manager's office of Shenzhen Gas Group Co., Ltd. (深圳市燃氣集團有限公司), the deputy general manager of Shenzhen Gas Investment Co., Ltd. (深圳市燃氣投資有限公司), the head of the human resources department, general manager of the human resources department, deputy general manager, director and general manager of Shenzhen Gas Group Co., Ltd. (深圳市燃氣集團股份有限公司). Mr. WANG has served as director and general manager of Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司) since May 2018.</p>

Section IV Corporate Governance

Name	Major working experience
ZHANG Zhan	Master of Economics. Mr. ZHANG has been appointed as the non-executive director of the Company since 28 June 2021. Mr. ZHANG began his career in August 2007 and successively worked as the special operator of the asset management department of Liaoning Huibao International Investment Group Limited (遼寧匯寶國際投資集團有限公司), assistant to the general manager of the investment department of EVOC Intellectual Technology Co., Ltd. (研祥智能高科技股份有限公司), senior investment manager of the investment and management department of China Everbright International Limited (中國光大國際有限公司), and senior investment manager, assistant to the general manager and deputy general manager of the investment and development department of China Everbright Water Limited (中國光大水務有限公司). Mr. ZHANG has been vice director of the asset management department of Shenzhen Investment Holdings Co., Ltd. (深圳投資控股有限公司) since June 2018 and a director of Shenzhen Universe (Group) Co., Ltd. (深圳市天地(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code of 000023) since July 2019.
ZHANG Yipeng	A Bachelor degree. Mr. ZHANG has been appointed as the non-executive director of the Company since 25 November 2021. Mr. ZHANG started his career in August 1983 and successively served as a management specialist of station II, clerk of station VI, staff member of the corporate finance section, staff member and deputy principal staff member of the infrastructure construction division, deputy principal staff member and principal staff member of the economic construction division, principal staff member of the office, deputy director and director of the corporate division of Third Branch of Shanghai Municipal Finance Bureau(上海市財政局第三分局). He has been serving as the chief financial officer and director of Shanghai Municipal Investment (Group) Corporation (上海城投(集團)有限公司) since January 2019.
AN Hongjun	Doctor of economics. Mr. AN has been appointed as the non-executive director of the Company since 14 November 2019. Mr. AN joined New China Asset Management Co., Ltd. (新華資產管理股份有限公司) in May 2010 and successively served as the deputy general manager of the project investment department (in charge of daily operations) and the general manager of the international business department. He has been an executive director and the president of New China Asset Management (Hong Kong) Limited (新華資產管理(香港)有限公司) since April 2013. He has also been an executive director and president of New China Capital Management Limited (新華資本管理有限公司) since September 2015. He has been a non-executive director of China Jinmao Holdings Group Limited (中國金茂控股集團有限公司), a listed company on The Stock Exchange of Hong Kong Limited with stock code of 0817, since November 2015. Prior to joining New China Asset Management Co., Ltd., Mr. AN had held various positions, including project manager, macro researcher and senior analyst, in Northeast Securities Co., Ltd (東北證券股份有限公司), the People's Insurance Company (Group) of China Limited (中國人民保險集團公司) and China Life Franklin Asset Management Company Limited (中國人壽富蘭克林資產管理有限公司). Mr. AN has intensive experiences in securities, insurance and investment sectors.

Section IV Corporate Governance

Name	Major working experience
XIA Dawei	<p>Master of Economics, professor, doctoral supervisor. Mr. XIA has been appointed as the independent non-executive director of the Company since 19 May 2016. Mr. XIA has previously worked as a teacher, the chancellor assistant and the vice chancellor of Shanghai University of Finance and Economics (上海財經大學) and then served as the dean of Shanghai National Accounting Institute. Mr. XIA had successively held positions including a professor, a doctoral tutor and the academic committee director of Shanghai National Accounting Institute since August 2012. Mr. XIA successively held the positions of the deputy chairman of the Chinese Industrial Economic Association (中國工業經濟學會), the consultant of China Accounting Standards Committee of the Ministry of Finance (財政部會計準則委員會), vice chairman of Accounting Society of China, the vice chairman of China Association of Chief Financial Officers, the chairman of Shanghai Accounting Association, the honorary professor of the Chinese University of Hong Kong, the part-time professor of the School of Management of Fudan University and a member of the listed company expert committee of the Shanghai Stock Exchange and enjoys the government allowance of the State Council. Mr. XIA has been serving as an independent director of various listed companies, including Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司) (a company listed on the Hong Kong Stock Exchange with stock code of 0980) since September 2004, and Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司), a company listed on the Shanghai Stock Exchange with stock code of 603885) since July 2017, and an independent director of Yango Group Co., Ltd (陽光城集團股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code of 000671) since November 2020. Mr. XIA has been the external supervisor of the Industrial Bank Co. Ltd. (興業銀行股份有限公司), a company listed on the Shanghai Stock Exchange with stock code of 601166) since May 2016.</p>
DING Wei	<p>Bachelor of Finance. Mr. DING has been appointed as the independent non-executive director of the Company since 28 June 2021. Mr. DING successively served as the economist and department head of the World Bank and the IMF, head of China Region in Deutsche Bank, chairman of the investment banking management committee and the head of the investment banking department of China International Capital Corporation Limited (中國國際金融股份有限公司, the A shares of which are listed on Shanghai Stock Exchange with stock code of 601995; the H shares of which listed on Hong Kong Stock Exchange with stock code of 3908), member of the Temasek global senior management committee, member of the global investment policy committee, head of China Region, vice chairman of Asia Region of the investment banking division at Morgan Stanley, CEO and chairman of CICC Capital Management Co., Ltd. (中金資本運營有限公司). Mr. DING has been the founder and chairman of Xiamen Borun Capital Investment Management Co., Ltd. (廈門博潤資本投資管理有限公司) since January 2021, an independent director of Hundsun Technologies Inc. (a company listed on the Shanghai Stock Exchange with stock code of 600570) since September 2021. Mr. DING served as an independent director of Hundsun Technologies Inc. (a company listed on the Shanghai Stock Exchange with stock code of 600570) from October 2014 to February 2020 and an independent director of CAR Inc (a company previously listed on the Hong Kong Stock Exchange with former stock code of 0699 and withdrawn from listing on 8 July 2021) from August 2014 to July 2021.</p>

Section IV Corporate Governance

Name	Major working experience
LI Renjie	Bachelor of Economics. Mr. LI has been appointed as the independent non-executive director of the Company since 28 June 2021. Mr. LI successively served as the director of Planning Division of the People's Bank of China Fujian Branch, executive director of Hong Kong Jiangnan Finance Company (香港江南財務公司), chairman of Great Wall Securities Co., Ltd. (長城證券有限責任公司), president of Industrial Bank Shenzhen Branch, vice president of Industrial Bank, director and president of Industrial Bank, chairman of Lufax Holding Ltd. (陸金所控股有限公司, a company listed on the New York Stock Exchange with stock code of LU).
BAI Wei	Master of Laws. Mr. BAI has been appointed as the independent non-executive director of the Company since 28 June 2021. Mr. BAI successively served as a lawyer at China Global Law Office (中國環球律師事務所), an associate at Sullivan & Cromwell LLP, and a member of the 19th CSRC Public Offering Review Committee, a member of the Listing Committee for the Shanghai Stock Exchange. From July 2013 to August 2019, Mr. BAI served as an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司, the A shares of which listed on the Shanghai Stock Exchange with stock code 601601 and the H shares listed on the Hong Kong Stock Exchange with stock code 2601), an independent non-executive director of Huatai Securities Co., Ltd. (華泰證券股份有限公司), and an independent director of Ningxia Orient Tantalum Industry Co., Ltd. (寧夏東方鋇業股份有限公司). Mr. BAI has been served as a founding partner and lawyer at Jingtian & Gongcheng since April 1992.
LEE Conway Kong Wai	A postgraduate for Master degree. Mr. LEE has been appointed as the independent non-executive director of the Company since 11 April 2017. Mr. LEE served as a partner of Ernst & Young from September 1980 to September 2009. Currently, Mr. LEE has been an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including Chaowei Power Holdings Limited (stock code: 0951) since June 2010, West China Cement Limited (stock code: 2233) since July 2010, China Modern Dairy Holdings Limited (stock code: 1117) since October 2010, Gome Electrical Appliances Holdings Limited (stock code: 0493) since March 2011, NVC Lighting Holding Limited (stock code: 2222) since November 2012, Yashili International Holdings Limited (stock code: 1230) since November 2013, GCL New Energy Holdings Limited (stock code: 0451) since May 2014, WH Group Limited (stock code: 0288) since August 2014. Mr. LI served as an independent non-executive director of Tibet 5100 Water Resources Holdings Ltd. (stock code: 1115) from March 2011 to February 2020, and an independent non-executive director of China Rundong Auto Group Limited (stock code: 1365) from August 2014 to December 2020. Mr. LEE has been appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province in China from 2007 to 2017. Mr. LEE has been a member of several institutes of certified accountants, including the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants.

Section IV Corporate Governance

Name	Major working experience
CHAI Hongfeng	<p>An expert in financial information engineering management, an academician of Chinese Academy of Engineering, a master's degree holder in finance, a first-level professor, and a doctoral supervisor. Mr. CHAI has been appointed as the independent non-executive director of the Company since 25 November 2021. Mr. CHAI successively served as a deputy director of the Information Center of the State Administration of Foreign Exchange (國家外匯局信息中心), a vice president of China Foreign Exchange Trade System (中國外匯交易中心), a director and the executive vice president of China UnionPay Co., Ltd. (中國銀聯股份有限公司). He has served as the president and head of the National Engineering Laboratory of Electronic Commerce and Electronic Payment (國家電子商務與電子支付工程實驗室), and a professor in the School of Computer Science of Fudan University (復旦大學) since March 2020. Mr. CHAI is the chairman of the mobile finance professional committee of the National Internet Finance Association of China (中國互聯網金融協會移動金融專業委員會) and an expert of the intelligent political and strategic expert consulting committee of China Construction Bank (中國建設銀行智慧政務戰略專家諮詢委員會). He is entitled to special government allowances of the State Council.</p>
LI Zhongning	<p>Master's degree in business administration and a senior economist. Ms. LI joined the Company in March 2020, and has been serving as a Supervisor of the Company since 15 June 2020 and the Chairman of the Supervisory Committee since 16 July 2020. Ms. LI successively served as the head of claims and the general manager's assistant of insurance section of Shanghai Xuhui Office of the People's Bank of China; general manager's assistant and deputy general manager of Shanghai Xuhui Office and deputy general manager of Shanghai Xuhui Branch of The People's Insurance Company of China (中國人民保險公司); deputy general manager of Shanghai Shinan Branch and director of accounting and finance department of Shanghai Branch of China Life Insurance Company Limited (中保人壽保險有限公司); general manager of accounting and finance department of Shanghai Branch of China Life Insurance Company (中國人壽保險公司), and deputy general manager of Shanghai Branch of China Life Insurance Company Limited (中國人壽保險股份有限公司) (a company listed on the New York Stock Exchange, stock code: LFC; a company listed on the Hong Kong Stock Exchange, stock code: 2628; a company listed on the Shanghai Stock Exchange, stock code: 601628); chairman of the board and general manager of Shanghai Anxin Agricultural Insurance Co., Ltd. (上海安信農業保險股份有限公司) and deputy chairman of the board of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司).</p>

Section IV Corporate Governance

Name	Major working experience
WU Hongwei (吳紅偉)	<p>Formerly WU Hongwei (吳紅偉), Master of business administration and a researcher. Mr. WU has been appointed as the vice chairman of the Supervisory Committee and employee supervisor of the Company since 28 June 2021. Mr. WU successively served as a designer, project leader, assistant of the Research Plan Office, deputy director, deputy director of the Science and Technology Office, secretary of the Science and Technology Committee, the director of the Personnel Security Department, the director of the Administration Department, the director of the Personnel Security Department, the deputy secretary of CPC party committee and secretary of discipline inspection committee, and the chairman of the Labor Union at Unit 801 of Shanghai Aerospace Administration (上海航天局八〇一研究所). Mr. WU served as the secretary of CPC party committee at Shanghai Xinguang Telecom Factory (上海新光電訊廠). Mr. WU consecutively served as the deputy director of the Human Resources Department, the director of the Human Resources Department and the general secretary of the CPC party committee at the Social Work Committee of CPC Shanghai Municipal Committee (上海市社會工作黨委). Mr. WU consecutively served as the secretary of the discipline inspection committee, a member of CPC party committee and the leader of dispatched discipline inspection office of the discipline inspection committee of CPC Shanghai Municipal Committee to the CPC party committee of the municipal state-owned assets supervision and administration commission (市紀委駐市國資委黨委紀檢組組長) at the Shanghai SASAC (上海市國資委); Mr. WU served as the deputy secretary of CPC party committee, secretary of discipline inspection committee, vice chairman of the supervisory committee, a member of CPC party committee of the Shanghai SASAC and the leader of Dispatched Discipline Inspection Office of the Discipline Inspection Committee of CPC Shanghai Municipal Committee to the municipal state-owned assets supervision and administration commission (市紀委監委駐海通證券股份有限公司紀檢監察組組長) of Haitong Securities Co., Ltd. (the A shares of which listed on the Shanghai Stock Exchange with stock code 600837 and the H shares listed on the Hong Kong Stock Exchange with stock code 6837) from September 2017 to May 2021. Mr. WU has been serving as the deputy secretary of CPC party committee of the Company since May 2021.</p>

Section IV Corporate Governance

Name	Major working experience
ZHOU Zhaohui	<p>A postgraduate and an engineer. Mr. ZHOU has been appointed as the supervisor of the Company since 28 June 2021. Mr. ZHOU successively served as the office business director, the deputy director, the director and the deputy minister of the securities department, and the securities affairs representative of Shenzhen Energy Investment Co., Ltd. (深圳能源投資股份有限公司), the secretary of the board of directors of Shenzhen Energy Logistics Co., Ltd. (深圳能源物流有限公司), the office director and the secretary of the chairman of the board of directors of Shenzhen Energy Group Co., Ltd. (深圳市能源集團有限公司), the secretary of the chairman of the board of directors, the senior manager of investor relations of the office of the board of directors, the acting director, the director, general manager and the securities affairs representative of Shenzhen Energy Group Co., Ltd. (深圳能源集團股份有限公司), and a director of Shenzhen Energy Environmental Co., Ltd. (深圳市能源環保有限公司). From June 2015 to October 2020, Mr. ZHOU concurrently served as a supervisor of China Great Wall Securities Co., Ltd. (長城證券股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 002939). Mr. ZHOU has been the secretary of board of directors, the securities affairs representative and the general manager of the office of the board of directors of Shenzhen Energy Group Co., Ltd. (深圳能源集團股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 000027) since June 2020; a supervisor of Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) since May 2012; the vice chairman and director of China Great Wall Securities Co., Ltd. since October 2020; the executive director and general manager of Shenzhen East Electricity Co., Ltd. (深圳市東部電力有限公司) since June 2021; the executive director and general manager of Shenzhen Pengwan Power Operation Co., Ltd. (深圳市鵬灣電力運營有限公司) since November 2021, and a director of Shenzhen Energy Environmental Co., Ltd. (深圳能源環保股份有限公司).</p>
SHEN Yun	<p>A bachelor's degree. Mr. SHEN has been appointed as the supervisor of the Company since 28 June 2021. Mr. SHEN successively served as the staff of the Planning and Finance Department of Shanghai Jin Jiang International Hotel Company Limited (上海錦江國際酒店股份有限公司); the assistance in the office of the board of directors of Shanghai Jin Jiang Capital Company Limited (上海錦江資本股份有限公司) (a company listed on the Hong Kong Stock Exchange with stock code of 2006); the deputy manager of the Planning and Development Department and the secretary to the board of directors of Shanghai Jin Jiang International Travel Service Company Limited (上海錦江國際旅遊股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code of 900929); Mr. SHEN has been serving as the secretary to the board of directors of Shanghai Jin Jiang Online Network Service Company Limited (上海錦江在線網絡服務股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code of 600650, 900914) since June 2015.</p>

Section IV Corporate Governance

Name	Major working experience
ZUO Zhipeng	<p>Formerly ZUO Fanxiu (左反修). Master of business administration, a senior accountant and a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. ZUO has been appointed as the supervisor of the Company since 27 June 2016. Mr. ZUO successively served as an officer of the finance division of Anqing Textile Factory (安慶紡織廠), and an assistant of the finance division head of Anhui Huamao Textile Co., Ltd. (安徽華茂紡織有限公司). Mr. ZUO then successively held various positions in Anhui Huamao Textile Company Limited (安徽華茂紡織股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 000850), including director, the director of finance division, the deputy general manager, the secretary to the board of directors and the chief financial officer, and concurrently served as directors in many of its subsidiaries. Mr. ZUO has been serving as a director of Anhui Huamao Group Co., Ltd. (安徽華茂集團有限公司) since March 2007; a director and the general manager of Anhui Huamao Textile Company Limited (安徽華茂紡織股份有限公司) since April 2016.</p>
SHAO Liangming	<p>Master of Law. Mr. SHAO has been appointed as the employee supervisor of the Company since 28 June 2021. Mr. SHAO successively served as teacher and vice-president at Chi'an Middle School of Hanjiang District, Yangzhou (揚州市邗江區赤岸中學), and the deputy chief section member of the Organization Section of the Organization Department of Chongming Party Committee (崇明縣委組織部) of Shanghai. Mr. SHAO worked as deputy chief section member, chief section member at the human resources office of CPC Municipal financial working committee of Shanghai. Mr. SHAO served as a vice president, the general manager of the human resources department, office director of CPC working committee and the general manager of the wealth management business department of Aijian Securities Co., Ltd. (愛建證券有限責任公司). Mr. SHAO served as the deputy general manager of the human resources department of the Company from November 2020 to October 2021. Mr. SHAO served as the deputy director of the Party Committee Office (in charge of work) and the deputy director of the Party Committee Propaganda Department (in charge of work) of the Company since October 2021.</p>
XIE Min	<p>Doctor of Economics. Mr. XIE has been appointed as the employee supervisor of the Company since 28 June 2021. Mr. XIE successively served as a teacher of the primary section at Jiangxi Vocational & Technical College of Electricity (江西電力職業技術學院) and a researcher at the Jiangxi Economic Development Research Institute (江西經濟發展研究院) of Jiangxi University of Finance and Economics (江西財經大學). Mr. XIE served as the senior manager of the strategic development department of Shanghai International Group (上海國際集團有限公司); Mr. XIE successively served at the post-doctoral workstation project research post and performance management post of human resources department of the Company. Mr. XIE has been serving at the office of the Labor Union of the Company since December 2016.</p>

Section IV Corporate Governance

Name	Major working experience
GONG Dexiong	Master of business administration. Mr. GONG has been appointed as the vice president of the Company since 28 November 2016. Mr. GONG successively served as the deputy head of the Pudong operating office at the securities department, the section chief of the investment research section at the securities department, and the deputy manager of the securities department of Shanghai International Trust and Investment Company (上海國際信託投資公司); the deputy general manager of Shanghai Securities Co., Ltd. (上海證券有限責任公司) and the chairman of Hicend Futures Co., Ltd. (海證期貨有限公司); the general manager of the financial management headquarters of Shanghai International Group Co., Ltd.; the general manager, the vice chairman, chairman of Shanghai Securities Co., Ltd.; chairman and the chief executive officer of Shanghai Guotai Junan Asset Management Co., Ltd (上海國泰君安證券資產管理有限公司); chairman of the asset management committee of the Company; chairman, the general manager and the chairman of the executive board of Guotai Junan Innovation Investment Co., Ltd.. Mr. GONG has been served as the chairman of wealth management committee of the Company since April 2020.
XIE Lebin	Doctor of economics. Mr. XIE has been a Vice President of the Company since 28 June 2021. He served successively as an executive director of the Investment Banking Department of J&A Securities Co., Ltd., a deputy general manager of the Shanghai Investigation and Auditing Department, a deputy general manager of the Investigation and Auditing Headquarters, a deputy general manager (in charge of work) of the Investigation and Auditing Headquarters, and the general manager of the Investigation and Auditing Headquarters. He also served as the General Manager, the Deputy Chief Financial Officer, the Chief Financial Officer and the Chief Operation Officer, and the Chief Risk Officer of the Planning and Finance Department, the President of the Investment Banking Business Unit, and the Director of the Executive Board of the Company. Prior to that, Mr. XIE Lebin worked at Wanguo Securities Co., Ltd. (萬國證券有限公司).
LUO Dongyuan	Master in business administration and an auditor. Mr. LUO has been a Vice President of the Company since 28 June 2021. He served successively as the senior manager of the Bond Department of J&A Securities Co., Ltd., the director of the Second Bond Business Department, the business director, the managing director, the deputy general manager, the deputy general manager (in charge of work) and the general manager of the Fixed Income Securities Headquarters. He also served as the general manager of the Debt Financing Department, the general manager of the Fixed Income Securities Department, the president of the Trading and Investment Committee, and the general manager of the Fixed Income Foreign Exchange Commodity Department. Prior to that, Mr. LUO Dongyuan worked in the Audit Office of Jiaozuo Jiefang District. Mr. LUO has served as the President of the Institutional and Transaction Business Committee of the Company since July 2021.

Section IV Corporate Governance

Name	Major working experience
NIE Xiaogang	Doctor of economics. Mr. NIE has been a Vice President, the Chief Financial Officer and the Chief Risk Officer of the Company since 28 June 2021. He served successively as an employee of the Third Investment Banking Department of Guotai Securities Co., Ltd., the head and deputy manager of the President Office, the deputy manager of the Marketing Management Headquarters, the assistant to the director, deputy director and the director of the secretariat of the Board of the Company, and the president of Guotai Junan Innovation Investment Co., Ltd. He also served as the General Manager of the Strategies Management Department, the General Manager of the Equity Investment Department, the General Manager of the Strategic Investment Department, the Vice President of the Strategic Investment and Direct Investment Business Committee of the Company, the general manager and chairman of Guotai Junan Zhengyu Investment Co., Ltd., and the General Manager of Risk Management Department of the Company.
LI Junjie	Master of Economics. Mr. LI has been a Vice President of the Company since 28 June 2021. He served successively as the senior supervisor and the assistant director of the Secretary Office of China UnionPay Co., Ltd. (中國銀聯股份有限公司), the assistant to the general manager of the Administrative Management Headquarters and a deputy general manager of the Financial Management Headquarters of Shanghai International Group Co., Ltd., the deputy director and director of the Board Office and the representative of securities issues of the Company, and the general manager, and a vice chairman and the chairman of Shanghai Securities Co., Ltd. Mr. LI has concurrently served as the General Manager of the Human Resources Department of the Company since January 2021, the Director of human resources of the Company since June 2021, and the President of the Investment Banking Division and the Director of the Executive Board of the Company since January 2022.
ZHANG Zhihong	Doctor of economics and a senior economist. Ms. ZHANG has been the Chief Compliance Officer of the Company since 19 November 2018. She served successively as the deputy director of the Party Committee (discipline inspection) Office and the deputy director of the Agency Department of the Shanghai Securities Management Office. She also served as the director of the Agency Supervision Department, the director of the Agency Supervision Department I, the director of the Listed Companies' Supervision Department I of the Shanghai Bureau of the CSRC, and the chief compliance officer and a deputy general manager of Great Wall Securities Co., Ltd. She served as the president assistant, a vice president and the business director of the Investment Banking Business Committee, and a vice president of the Investment Banking Business Committee of the Company. Ms. ZHANG has served as the Chairman of the Trade Union of the Company since May 2020.

Other Information

Applicable Not applicable

Section IV Corporate Governance

(II) POSITIONS OF THE CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

1. Positions in Shareholder entities

√ Applicable □ Not applicable

Staff name	Name of shareholder entities	Position held in the shareholder entities	Starting date of term of office	Expiry date of term of office
LIU Xinyi	Shanghai International Group Co., Ltd.	Director, president	November 2019	Until expiry of term
GUAN Wei	Shanghai International Group Co., Ltd.	Vice president, chief financial officer	September 2019	Until expiry of term
	Shanghai State-owned Assets Operation Co., Ltd.	Chairman	December 2021	Until expiry of term
ZHONG Maojun	Shanghai International Group Co., Ltd.	Director, chief operation officer	May 2016	Until expiry of term
	Shanghai State-owned Assets Operation Co., Ltd.	Chairman of the supervisory board	April 2020	Until expiry of term
CHEN Hua	Shanghai State-owned Assets Operation Co., Ltd.	Executive deputy general manager	November 2018	Until expiry of term
WANG Wenjie	Shenzhen Investment Holdings Co., Ltd.	Director, general manager	May 2018	Until expiry of term
ZHANG Zhan	Shenzhen Investment Holdings Co., Ltd.	Deputy director of the capital operation department	June 2018	Until expiry of term
ZHANG Yipeng	Shanghai Municipal Investment (Group) Corporation	Director and chief financial officer	January 2019	Until expiry of term
AN Hongjun	New China Asset Management (Hong Kong) Limited	Executive director, president	April 2013	Until expiry of term
ZHOU Zhaohui	Shenzhen Energy Group Co., Ltd.	Securities affairs representative	June 2008	Until expiry of term
		General manager of the office of the Board	January 2014	
		Secretary to the Board	June 2020	
SHEN Yun	Shanghai Jin Jiang Online Network Service Company Limited	Secretary to the Board	June 2015	Until expiry of term
ZUO Zhipeng	Anhui Huamao Textile Company Limited	Director, general manager	April 2016	Until expiry of term
Explanations on the positions in Shareholder Entities	-			

Section IV Corporate Governance

2. Positions in other entities

√ Applicable □ Not applicable

Staff name	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
WANG Song	Guotai Junan Financial Holdings Co., Ltd.	Chairman of the board	March 2016	December 2021
YU Jian	Guotai Junan Financial Holdings Co., Ltd.	Director	June 2020	Until expiry of term
	Shanghai Guotai Junan Asset Management Co., Ltd (上海國泰君安證券資產管理有限公司)	Director	August 2020	January 2022
	Shanghai Securities Co., Ltd.	Director	January 2021	Until expiry of term
LIU Xinyi	Guotai Junan International Holdings Limited	Non-executive director	February 2022	Until expiry of term
	Sailing Capital Management Co., Ltd.	Chairman	January 2020	Until expiry of term
	GUAN Wei	Director	February 2019	Until expiry of term
ZHONG Maojun	Sailing Capital International Investment Fund (Shanghai) Co., Ltd.	Director	February 2019	Until expiry of term
	Shanghai Guosheng Capital Management Co., Ltd. (上海國盛資本管理有限公司)	Director	March 2019	Until expiry of term
	Shanghai Pudong Development Bank Co., Ltd.	Director	July 2019	Until expiry of term
CHEN Hua	Shanghai Xieyi Asset Management Co., Ltd.	Chairman	January 2016	Until expiry of term
CHEN Hua	Shanghai Guoxin Venture Capital Co., Ltd. (上海國鑫創業投資有限公司)	Chairman	November 2018	Until expiry of term
	Guohua Satellite Application Industry Fund Management (Nanjing) Co., Ltd. (國華衛星應用產業基金管理(南京)有限公司)	Director	May 2020	Until expiry of term

Section IV Corporate Governance

Staff name	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
ZHANG Zhan	Shenzhen Universe (Group) Co. Ltd(深圳市天地(集團)股份有限公司)	Director	July 2019	Until expiry of term
	Guotai Junan Investment Management Co., Ltd.	Director	May 2021	Until expiry of term
ZHANG Yipeng	Shanghai Municipal Investment Environmental Financial Services Co., Ltd. (上海城投環保金融服務有限公司)	Chairman	May 2019	Until expiry of term
	Shanghai Municipal Investment Environmental Protection Industry Investment Management Co., Ltd. (上海城投環保產業投資管理有限公司)	Chairman	May 2019	Until expiry of term
	Shanghai Municipal Investment Group Finance Co., Ltd. (上海城投集團財務有限公司)	Director	November 2019	Until expiry of term
AN Hongjun	Profound Brilliant Star Limited	Director	August 2015	Until expiry of term
	New China Capital International Management Limited	Director, president	September 2015	Until expiry of term
	Huixin Capital International Management Limited	Director	September 2015	Until expiry of term
	China Jinmao Holdings Group Limited	Non-executive director	November 2015	Until expiry of term
XIA Dawei	Lianhua Supermarket Holdings Co., Ltd.	Independent non-executive director	September 2004	Until expiry of term
	Industrial Bank Co., Ltd.	External supervisor	May 2016	Until expiry of term
	Juneyao Airlines Co., Ltd.	Independent director	July 2017	Until expiry of term
	China Three Gorges Corporation	External director	September 2019	Until expiry of term
	Yango Group Co., Ltd (陽光城集團股份有限公司)	Independent director	November 2020	Until expiry of term

Section IV Corporate Governance

Staff name	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
	Baowu Carbon Technology Co., Ltd. (寶武碳業科技股份有限公司)	Independent director	June 2021	Until expiry of term
	Zheng Xin Bank Company Limited	Independent director	January 2018	Until expiry of term
	Shanghai Chengchuang Investment Management Co., Ltd. (上海城創投資管理股份有限公司)	Independent director	January 2015	Until expiry of term
DING Wei	Xiamen Borun Capital Investment Management Co., Ltd. (廈門博潤資本投資管理有限公司)	Executive director, legal representative	January 2021	Until expiry of term
	Hundsun Technologies Inc.	Independent director	September 2021	Until expiry of term
LI Renjie	Huaneng Guicheng Trust Co., Ltd.* (華能貴誠信託有限公司)	Independent director	2021	Until expiry of term
	Xiamen International Bank Co., Ltd.	Independent director	2021	Until expiry of term
BAI Wei	Jingtian & Gongcheng	Partner	April 1992	Until expiry of term
LEE Conway Kong Wai	Chaowei Power Holdings Limited	Independent non-executive director	June 2010	Until expiry of term
	West China Cement Limited	Independent non-executive director	July 2010	Until expiry of term
	China Modern Dairy Holdings Limited	Independent non-executive director	October 2010	Until expiry of term
	Gome Electrical Appliances Holdings Limited	Independent non-executive director	March 2011	Until expiry of term
	NVC Lighting Holding Limited	Independent non-executive director	November 2012	Until expiry of term
	Yashili International Holdings Limited	Independent non-executive director	November 2013	Until expiry of term
	GCL New Energy Holdings Limited	Independent non-executive director	May 2014	Until expiry of term
	WH Group Limited	Independent non-executive director	August 2014	Until expiry of term

Section IV Corporate Governance

Staff name	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
CHAI Hongfeng	A professor in the School of Computer Science of Fudan University	Professor	March 2020	Until expiry of term
ZHOU Zhaohui	Shenzhen East Electricity Co., Ltd. (深圳市東部電力有限公司)	Executive director, general manager	June 2021	Until expiry of term
	Shenzhen Pengwan Power Operation Co., Ltd. (深圳市鵬灣電力運營有限公司)	Executive director, general manager	November 2021	Until expiry of term
	Shenzhen Energy Environmental Co., Ltd. (深圳能源環保股份有限公司)	Director	November 2021	Until expiry of term
	China Great Wall Securities Co., Ltd. (長城證券股份有限公司)	Vice chairman	October 2020	Until expiry of term
	Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司)	Supervisor	May 2012	Until expiry of term
ZUO Zhipeng	Anhui Huamao Group Co., Ltd.	Director	March 2007	Until expiry of term
	Anhui Huatai Textile Co., Ltd. (安徽華泰紡織有限公司)	Director	June 2007	Until expiry of term
	Anhui Huayi Sewing Threads Co., Ltd. (安徽華意制線有限公司)	Director	June 2007	Until expiry of term
	Anhui Huamao Weaving and Dyeing Co., Ltd. (安徽華茂織染有限公司)	Director	January 2011	Until expiry of term
	Anqing Huamao Baisite Textile Technology Co., Ltd. (安慶華茂佰斯特紡織科技有限公司)	Director	July 2012	Until expiry of term
	Anqing Huaxin Industrial Cloth Co., Ltd. (安慶華欣產業用布有限公司)	Director	August 2015	Until expiry of term
	Xinjiang Huamao Alaer Textile Co., Ltd. (新疆華茂阿拉爾紡織有限公司)	Director	September 2010	Until expiry of term

Section IV Corporate Governance

Staff name	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
	Alashankou Huamao Textile Co., Ltd. (阿拉山口華茂紡織有限公司)	Director	June 2015	Until expiry of term
	Alashankou Huatai Import and Export Co., Ltd. (阿拉山口華泰進出口有限公司)	Director	August 2015	Until expiry of term
	HUAMA O (H.K.) COMPANY LIMITED	Director	February 2013	Until expiry of term
	Anhui Yiyuan Environmental Technology Co., Ltd. (安徽宜源環保科技股份有限公司)	Director	May 2011	Until expiry of term
	Shanghai Huamao Entiaishi Apparel Co., Ltd. (上海華茂恩遜艾世服飾有限公司)	Director	September 2012	Until expiry of term
	Anhui Huamao Industrial Investment Co., Ltd. (安徽華茂產業投資有限公司)	Director	December 2009	Until expiry of term
	Anqing Yuanhong Mining Investment Co., Ltd. (安慶元鴻礦業投資有限公司)	Director	November 2011	Until expiry of term
	Kunming Dongchuan District Laomingcao Mining Co., Ltd. (昆明市東川區老明槽礦業有限公司)	Director	June 2007	Until expiry of term
	Liuyang Xinlei Mining Development Co., Ltd. (瀏陽市鑫磊礦業開發有限公司)	Director	June 2007	Until expiry of term
	Anhui Huamao Textiles (Qianshan) Co., Ltd. (安徽華茂紡織(潛山)有限公司)	Director	May 2010	Until expiry of term
	Anhui Huamao Jingwei New Textile Co., Ltd. (安徽華茂經緯新型紡織有限公司)	Director	June 2016	Until expiry of term
	Anqing Huawei Industrial Cloth Technology Co., Ltd. (安慶華維產業用布科技有 限公司)	Director	May 2016	Until expiry of term

Section IV Corporate Governance

Staff name	Name of other entities	Position held in other entities	Starting date of term of office	Expiry date of term of office
	Anqing Zhenfeng Pawn Co., Ltd. (安慶振風典當有限責任公司)	Director	June 2016	Until expiry of term
	Anqing Zhenfeng Auction Co., Ltd. (安慶市振風拍賣有限公司)	Director	June 2016	Until expiry of term
	Anhui Huamao Zhenyang Investment Co., Ltd. (安徽華茂振陽投資有限公司)	Director	June 2017	Until expiry of term
	Anqing Xinsheng Technology Co., Ltd. (安慶新盛科技有限責任公司)	Director	September 2021	Until expiry of term
XIE Lebin	Guotai Junan Investment Management Co., Ltd.	Supervisor	April 2014	Until expiry of term
	Guotai Junan Financial Holdings Co., Ltd.	Chairman of the board	December 2021	Until expiry of term
	Guotai Junan Financial Holdings Co., Ltd.	Director	June 2020	Until expiry of term
	Guotai Junan International Holdings Limited	Non-executive director	June 2017	December 2021
	Guotai Junan Securities Asset Management Co., Ltd.	Chairman	January 2022	Until expiry of term
LUO Dongyuan	Guotai Junan Financial Holdings Co., Ltd.	Director	June 2020	December 2021
NIE Xiaogang	Guotai Junan Innovation Investment Co., Ltd.	Director	August 2010	Until expiry of term
	Guotai Junan Zhengyu Investment Co., Ltd.	Chairman	January 2018	June 2021
	Huaan Funds Management Co., Ltd.	Director	April 2016	October 2021
LI Junjie	Shanghai Securities Co., Ltd.	Director	January 2017	Until expiry of term
ZHANG Zhihong	Huaan Fund Management Co., Ltd.	Chairman of the supervisory board	August 2014	Until expiry of term
Explanations on the positions in Other Entities		None		

Section IV Corporate Governance

(III) COMPENSATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable Not applicable

Procedure for the determination of compensation for Directors, Supervisors and senior management members of the Company

The Company has established the Remuneration Appraisal and Nomination Committee under the Board, mainly responsible for reviewing and making recommendations on the assessment and remuneration management system for Directors and senior management members of the Company, assessing the Directors and senior management members of the Company and making recommendations. Compensation for the Supervisors shall be proposed by the Supervisory Committee and subject to the approval at the Shareholders' general meeting.

Basis for the determination of compensation for Directors, Supervisors and senior management members of the Company

The Company determines remuneration of senior management according to the Administrative Measures on the Appointment, Appraisal and Remuneration of Senior Management《高級管理人員聘任、考核及薪酬管理辦法》) and their implementation rules. According to those administrative measures, the remuneration of senior management is composed of basic salary, performance related bonus and term incentive. According to the Implementation Scheme for Further Deepening the Remuneration Policy Reform of Professional Managers《進一步深化職業經理人薪酬制度改革實施方案》), the remuneration of professional managers is composed of annual salary and medium and long term incentive, where annual salary includes basic annual salary and performance-related annual salary, and the medium and long-term incentives for directors and senior management are determined in accordance with the Restricted Share Incentive Scheme of A Shares《A股限制性股票激勵計劃》) of the Company.

Actual payment of compensation for Directors, Supervisors and senior management members of the Company

See "IV. Changes in the shareholdings and remuneration of the current directors, supervisors and senior management of the Company and those who resigned during the Reporting Period" in "Section IV Corporate Governance" of this report.

Actual total amount of remuneration received by the Directors, Supervisors and senior management members of the Company at the end of the Reporting Period

RMB30.8236 million

Section IV Corporate Governance

(IV) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

√ Applicable □ Not applicable

Name	Position	Manner of change	Reason of change
CHEN Hua	Non-executive director	Election	New session
ZHANG Zhan	Non-executive director	Election	New session
FAN Renyi	Non-executive director	Election	New session
DING Wei	Independent non-executive director	Election	New session
LI Renjie	Independent non-executive director	Election	New session
BAI Wei	Independent non-executive director	Election	New session
ZHU Ning	Independent non-executive director	Election	New session
ZHANG Yipeng	Non-executive director	Election	On 25 November 2021, the Resolution on the Election of Mr. ZHANG Yipeng as a Non-independent Director of the Sixth Session of the Board of the Company was considered and approved at the 2021 first extraordinary general meeting, and Mr. ZHANG Yipeng was elected as a director of the sixth session of the Board of the Company
CHAI Hongfeng	Independent non-executive director	Election	On 25 November 2021, the Resolution on the Election of Mr. CHAI Hongfeng as an Independent Director of the Sixth Session of the Board of the Company was considered and approved at the 2021 first extraordinary general meeting, and Mr. CHAI Hongfeng was elected as an independent director of the sixth session of the Board of the Company

Section IV Corporate Governance

Name	Position	Manner of change	Reason of change
WU Hongwei	Vice chairman of the Supervisory Committee, employee supervisor	Election	New session
ZHOU Zhaohui	Supervisor	Election	New session
SHEN Yun	Supervisor	Election	New session
SHAO Liangming	Employee supervisor	Election	New session
XIE Min	Employee supervisor	Election	New session
XIE Lebin	Vice president	Appointment	New session
LUO Dongyuan	Vice president	Appointment	New session
NIE Xiaogang	Vice president, chief financial officer, chief risk officer	Appointment	New session
LI Junjie	Vice president	Appointment	New session
ZHOU Lei	Former non-executive director	Retirement	New session
LIN Facheng	Former non-executive director	Retirement	New session
ZHOU Hao	Former non-executive director	Retirement	New session
SHI Derong	Former independent non-executive Director	Retirement	New session

Section IV Corporate Governance

Name	Position	Manner of change	Reason of change
CHEN Guogang	Former independent non-executive Director	Retirement	New session
LING Tao	Former independent non-executive Director	Retirement	New session
JIN Qingjun	Former independent non-executive Director	Retirement	New session
FAN Renyi	Former non-executive director	Retirement	Resigned as a director of the sixth session of the Board on 9 July 2021 due to work arrangements.
ZHU Ning	Former independent non-executive Director	Retirement	Resigned as an independent director of the sixth session of the Board on 29 July 2021 due to work arrangements.
WANG Lei	Former Vice Chairman of the Supervisory Committee, Former Employee Supervisor	Retirement	New session
SHAO Chong	Former Supervisor	Retirement	New session
FENG Xiaodong	Former Supervisor	Retirement	New session
WANG Weijie	Former employee supervisor	Retirement	New session
LIU Xuefeng	Former employee supervisor	Retirement	New session
JIANG Yiming	Former vice president	Retirement	New session
CHEN Yutao	Former vice president	Retirement	New session

Section IV Corporate Governance

(V) PUNISHMENT BY SECURITIES REGULATORY BODIES FOR THE PAST THREE YEARS

Applicable Not applicable

(VI) SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company entered into the agreements in compliance with relevant laws, regulations and arbitration rules with all the Directors of the sixth session of the Board and all the Supervisors of the sixth session of the Supervisory Committee, which came into effect since the date on which the H Shares was listed on the Hong Kong Stock Exchange or the respective Directors and Supervisors were appointed and will end on the expiry date of the term of this session of the Board and the Supervisory Committee. Saved as disclosed above, none of the Directors or Supervisors entered into any service agreement with the Company or its subsidiaries, which is not determinable within one year or is determinable with payment of compensation other than statutory compensation.

(VII) DIRECTORS' INTERESTS IN BUSINESS COMPETING WITH THE COMPANY

Mr. AN Hongjun, a non-executive Director of the Company, has been an executive director and president of New China Asset Management (Hong Kong) Limited (新華資產管理(香港)有限公司) since April 2013. Since New China Asset Management (Hong Kong) Limited currently holds the licenses under the SFO for engaging in the regulated activities of Type 4 (Advising on Securities) and Type 9 (Asset Management), it competes or is likely to compete, either directly or indirectly, with certain businesses of Guotai Junan Financial Holdings and its subsidiaries. Save as disclosed in this report, none of the Directors has any interest in the businesses which compete or is likely to compete, either directly or indirectly, with the Company's business.

(VIII) Interests of Directors and Supervisors in material contracts

Except for the related party transactions disclosed in "XII. Material Related Party Transactions" of "Section VI Significant Events" in this report, the Company has not entered into any significant transaction, arrangement or contract in which Directors, Supervisors or entities associated with such Directors or Supervisors held or had held any direct or indirect material interests during the Reporting Period.

(IX) Others

Applicable Not applicable

The Board has six independent non-executive Directors, representing more than one third of the members of the Board. The number and qualifications of independent non-executive Directors are in compliance with domestic regulatory requirements and the requirement of the Hong Kong Listing Rules. Besides, the Company has received annual confirmations issued by each independent non-executive Director in respect of their independence according to Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Company believes that each independent non-executive Director is independent as specified in the Hong Kong Listing Rules.

Section IV Corporate Governance

V. CONVENING OF BOARD MEETINGS DURING THE REPORTING PERIOD

Meeting session	Convening date	Resolutions
The twenty-fifth extraordinary meeting of the fifth session of the Board	10 February 2021	The Measures on the Selection and Appointment of Professional Managers of Guotai Junan Securities Co., Ltd. and the Work Plan on the Selection and Appointment of Professional Managers of Guotai Junan Securities Co., Ltd. were reviewed and approved
The nineteenth meeting of the fifth session of the Board	25 March 2021	The Work Report of the Directors of the Company for 2020, the Report on the Operation and Management of the Company for 2020, the Profit Distribution Plan of the Company for 2020, the Resolution on Proposing to Consider the Appointment of Accounting Firm, the Report on the Performance of Duties by the Audit Committee under the Board for 2020, the Resolution on Proposing to Consider the Group's Risk Appetite for 2021, the Resolution on Proposing to Consider the Scale of Proprietary Trading Business of the Company for 2021, the Risk Management Report of the Company for 2020, the Compliance Report of the Company for 2020, the Internal Control Assessment Report of the Company for 2020, the Resolution on Proposing to Consider the General Mandate to Issue Onshore and Offshore Debt Financing Instruments, the Resolution on Proposing to Consider the General Mandate to Issue Asset-backed Securities, the Resolution on Potential Related Party Transactions Involved in the Issuances of the Onshore and Offshore Debt Financing Instruments and the Asset-backed Securities, the Resolution on Proposing to Consider the Donations by the Company to Shanghai Guotai Junan Social Welfare Foundation in 2021, the Annual Report of the Company for 2020, the Work Report of Independent Directors for 2020, the Resolution on Anticipated Daily Related Party Transactions of the Company for 2021, the Social Responsibility Report of the Company for 2020, the Resolution on Proposing the General Meeting to Grant a General Mandate to the Board to Issue Additional A Shares or H Shares and the Resolution on Proposing to Consider the Convening of the Annual General Meeting of the Company for 2020 were reviewed and approved

Section IV Corporate Governance

Meeting session	Convening date	Resolutions
The twentieth extraordinary meeting of the fifth session of the Board	28 April 2021	The First Quarterly Report in 2021 and the Resolution on Proposing to Consider the Joint Investment of the Company and Related Parties to Participate in the Establishment of Shanghai Kechuang Fund Phase II were reviewed and approved
The twenty-sixth extraordinary meeting of the fifth session of the Board	26 May 2021	The Resolution on Requesting the Board to Nominate Candidates for Members of the Sixth Session of the Board and the Resolution on Requesting the General Meeting to Decide on the Remuneration of Directors of the Sixth Session of the Board were reviewed and approved
The first meeting of the sixth session of the Board	28 June 2021	The Resolution on Proposing the Election of Chairman and Vice Chairman of the Sixth Session of the Board, the Resolution on Proposing the Establishment of Special Committees under the Sixth Session of the Board, the Resolution on Proposed the Appointment of Senior Management and the Measures for the Management of Money Laundering and Terrorist Financing Risks of Guotai Junan Securities Co., Ltd.(Revised in 2021) were reviewed and approved
The first extraordinary meeting of the sixth session of the Board	19 July 2021	The Resolution on Proposing to Consider the Grant of the Reserved Restricted A Shares to the Incentive Participants and the Resolution on Proposing to Consider the Adjustment to Organizational Structure of Institutional Business and Financial Products Business of the Company were reviewed and approved

Section IV Corporate Governance

Meeting session	Convening date	Resolutions
The second meeting of the sixth session of the Board	24 August 2021	The Resolution on Proposing to Consider 2021 Interim Report of the Company, the Resolution on Proposing to Amend the Articles of Association and Some Systems, the Resolution on Proposing the Nomination of Candidates for Non-Independent Directors of the Company, the Resolution on Proposing the Nomination of Candidates for Independent Directors of the Company, the Resolution on Proposing to Consider 2021 Interim Compliance Report of the Company, the Resolution on Proposing to Consider 2021 Risk Interim Management Report, the Resolution on Proposing to Grant Special Authorization to the Operation Management for Writing Off Bad Debts, the Resolution on Proposing to Consider the Joint Investment of the Company and Related Parties to Participate in the Establishment of Sailing Fund and the Resolution on Proposing to Consider the Adjustments to the Grant Price of Reserved Restricted A Shares were reviewed and approved
The second extraordinary meeting of the sixth session of the Board	15 September 2021	The Resolution on Proposing to Further Deepen the Implementation Plan for the Reform of the Remuneration System for Professional Managers, the Resolution on Proposing to Consider the Repurchase and Cancellation of certain Restricted A Shares and the Resolution on Proposing to Consider the Establishment of Relevant Departments for Digital Operations were reviewed and approved
The third extraordinary meeting of the sixth session of the Board	8 October 2021	The Resolution on Proposing to Consider the Acquisition of Part of Shares of HuaAn Funds Management Co., Ltd. was reviewed and approved
The third meeting of the sixth session of the Board	29 October 2021	The Resolution on Proposing to Consider the Third Quarterly Report of 2021 and the Resolution on Proposing to Consider the Convening of the 2021 First Extraordinary General Meeting, 2021 First Class Meeting for A Shareholders and 2021 First Class Meeting for H Shareholders were reviewed and approved
The fourth extraordinary meeting of the sixth session of the Board	1 December 2021	The Resolution on Proposing to Consider the Joint Investment of the Company and Related Parties to Participate in the Establishment of Shanghai Lingang Guotai Junan Technology Frontier Industry Fund and the Resolution on Proposing to Supplement Committee Members of the Board were reviewed and approved

Section IV Corporate Governance

VI. PERFORMANCE OF DUTIES BY THE BOARD AND DIRECTORS

(I) Duties of the Board

The Board is the permanent authority of the Company, and is responsible to the general meeting of Shareholders. According to the Articles of Association, the Board has the following duties: to convene general meetings and to report to shareholders' general meetings; to implement the resolutions of shareholders' general meetings; to research and formulate the medium and long-term development plan of the Company; to determine business operation plans and investment plans of the Company; to formulate annual preliminary and final financial budgets of the Company; to formulate the profit distribution plans and plans for recovery of losses of the Company; to formulate proposals of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing; to formulate plans for any substantial acquisition by the Company, repurchase of the shares (in circumstances specified to Sub-clauses (1) and (2) of Article 25 of the Articles of Association) or merger, division and change of the form and dissolutions of the Company; to decide on matters relating to the Company's external investment, acquisitions or disposal of assets, mortgage of assets, external guarantee, entrusted wealth management and connected transactions as authorized by shareholders' general meetings; to decide on the establishment of the Company's internal management structure; to appoint or dismiss the Company's president, secretary to the board of directors, chief risk officer and chief compliance officer and, based on the nominations of president, to appoint or dismiss vice presidents, chief financial officer and other senior management and to determine their remuneration and rewards and penalties; to decide on the proposals for the establishment of subsidiaries; to formulate the basic management system of the Company; to formulate proposals for any amendments to the Articles of Association; to manage the disclosure of information of the Company; to propose to shareholders' general meetings the appointment or change of the accounting firm acting as the auditor of the Company; to hear the work report of the Company's president and special committees under the board of directors and to review the work of the Company's president and special committees under the board of directors; to assume ultimate responsibility for the effectiveness of the compliance management and overall risk management of the Company, and perform the respective duties; to determine the compliance management objectives of the Company, and perform the following compliance management duties: consider and approve the basic compliance management rules; to consider and approve the annual compliance report; to establish the mechanism for direct communication with the person responsible for compliance; to evaluate the effectiveness of compliance management and supervise the resolution of problems existing in compliance management; to decide on the Company repurchases its shares in circumstances specified to Sub-clauses (3), (5) and (6) of Article 25 of the Articles of Association; to promote the construction of corporate culture and guide the construction of corporate culture; and any other powers as conferred by the laws, administrative regulations, departmental rules and the Articles of Association.

Section IV Corporate Governance

(II) Attendance at Board meetings and general meetings by Directors

Name of Directors	Independent Director or not	Number of Board meetings to be attended this year	No. of meetings attended in person	Attendance at Board meetings		Two consecutive		Attendance at
				No. of meetings attended by way of telecommunication	Number of meetings attended by proxy	Number of absence	Board meetings not attended or not	No. of general meetings attended
HE Qing	No	11	11	7	0	0	No	1
WANG Song	No	11	11	7	0	0	No	2
YU Jian	No	11	11	7	0	0	No	2
LIU Xinyi	No	11	11	7	0	0	No	0
GUAN Wei	No	11	10	7	1	0	No	0
ZHONG Maojun	No	11	9	7	2	0	No	0
CHEN Hua	No	7	7	4	0	0	No	0
WANG Wenjie	No	11	10	7	1	0	No	0
ZHANG Zhan	No	7	7	4	0	0	No	0
ZHANG Yipeng	No	1	1	1	0	0	No	0
AN Hongjun	No	11	11	7	0	0	No	0
XIA Dawei	Yes	11	11	7	0	0	No	0
DING Wei	Yes	7	7	4	0	0	No	0
LI Renjie	Yes	7	7	4	0	0	No	1
BAI Wei	Yes	7	7	4	0	0	No	0
LEE Conway Kong Wai	Yes	11	11	7	0	0	No	2
CHAI Hongfeng	Yes	1	1	1	0	0	No	0
ZHOU Lei (resigned)	No	4	4	3	0	0	No	0
LIN Facheng (resigned)	No	4	4	3	0	0	No	0
ZHOU Hao (resigned)	No	4	3	3	1	0	No	0
FAN Renyi (resigned)	No	1	0	0	1	0	No	0
SHI Derong (resigned)	Yes	4	4	3	0	0	No	0
CHEN Guogang (resigned)	Yes	4	4	3	0	0	No	0
JIN Qingjun (resigned)	Yes	4	4	3	0	0	No	0
LING Tao (resigned)	Yes	4	4	3	0	0	No	0
ZHU Ning (resigned)	Yes	2	2	0	0	0	No	0

Note: please refer to “IV. Directors, Supervisors and Senior Management” in this section for the term of office of Directors.

Not attending in person at two consecutive Board meetings

Applicable Not applicable

Number of Board meetings held during the year	11
Including: Number of on-site meetings	4
Number of meetings held by way of telecommunication	7
Number of meetings held in a mixed model	0

Section IV Corporate Governance

(III) Independent Directors' objection to relevant matters of the Company

Applicable Not applicable

(IV) Others

Applicable Not applicable

1. Main measures implemented by the Board in respect of corporate governance during the Reporting Period

- (1) Corporate governance and related recommendations. In 2021, China's capital market has comprehensively deepened reforms and entered a new stage of more open, inclusive and high-quality development. Based on the two perspectives of overall situation, the Board has born "national interests" in mind, seized development opportunities, and deepened reform and transformation. The annual key tasks have been progressing smoothly. The efforts to lay the foundation and strengthen weakness have been vigorously promoted, and various key tasks linking the above and the next have been completed in the "first three-years". The operating performance has been significantly improved, and the competitiveness has been significantly enhanced. The Company has received the highest AA ratings in A class in the evaluation of securities companies from the China Securities Regulatory Commission for 14 consecutive years. It has been selected into the first batch of "white list" of securities companies, and received the highest class A rating in the first practice of industry culture construction. By participating in public welfare activities, community building and supporting rural revitalization, it has actively fulfilled its social responsibilities, which has steadily improved its brand awareness and social influence.
- (2) Performance of duties Directors and their development. The Company has established a monthly report system on its operation and management to provide Directors with the operation and management of the Company and the development of the securities industry in a timely manner to facilitate their performance of duties. At the same time, it regularly provides Directors with the latest regulatory developments, engages intermediary agencies to provide professional training for Directors to perform their duties, or organizes Directors to participate in professional training held by regulatory authorities and industry associations, so as to continuously improve Directors' ability to perform their duties. By participating in Board meetings, special committee meetings and corporate strategy seminars, the Directors have given advice and suggestions, performed their duties conscientiously, and continued to improve the level and capability of corporate governance.

Section IV Corporate Governance

- (3) Improvement of the governance system. The Company has completed the election of the new session of the Board, the Supervisory Committee and the management, engaged high-end professionals as independent directors, elected employee representatives as employee representative supervisors, and publicly selected outstanding professional managers to join the management, so that the structure of each governance body has become more professional, younger, diversified and international. The Strategy Committee under the Board has expanded into the Strategy and ESG Committee to promote the construction of the Company's ESG system and the continuous improvement and optimization of related work; Based on the implementation of the new Securities Law, the Company has organized special studies for Directors, supervisors and senior management to conduct special studies to learn and grasp the key amendments of the Securities Law, and worked with intermediary agencies to systematically sort out the corporate governance system and earnestly implement the regulatory requirements under the new Securities Law. In 2021, the Company has entered the "List of Corporate Governance Demonstration Entities for State-owned Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council.
- (4) Improvement and optimization of long-term incentive and restraint mechanism. The Company has further deepened the reform of the remuneration system for professional managers, adhered to the combination of incentives and restraints, improved the short-term and medium-to-long-term remuneration structure, and stimulated the vitality of the management. The Company has completed the grant of the reserved Restricted Share Incentive Scheme of A Shares, and granted 9,999,990 restricted A shares to 58 core personnel, including one senior management member.

Section IV Corporate Governance

2. Training for Directors

The Company keeps providing training to its Directors. During the Reporting Period, the Company engaged intermediary agencies to provide pre-service trainings to newly appointed Directors and provided two on-demand trainings to all Directors, and arranged Directors to attend the professional trainings organized by the Securities Association of China, Shanghai Bureau of the CSRC, the Listed Companies Association of Shanghai and other institutions. In addition, the Company delivered reading materials such as Monthly Report on Operation and Management, formulation and revision of relevant laws and regulations, anti-money laundering, and professional integrity to its Directors to help them to keep up with the latest industry updates, laws, regulations and policies, and keep them informed of significant events in relation to the operation, management, risk compliance and financial positions of the Company. Specific training arrangements for Directors are as follows:

Name	Position	Training method and content
HE Qing	Chairman, Executive Director	In March 2021, participating in the training on the Latest Trend of Regulation on Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer and the training on the Overview of Recent New Regulations for the Supervision of A-share Listed Companies provided by Haiwen & Partners; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Situation and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd.; from September to December 2021, participating in the follow-up vocational training for securities practitioners in 2021 provided by the Securities Association of China.

Section IV Corporate Governance

Name	Position	Training method and content
WANG Song	Vice chairman, Executive Director and President	In March 2021, participating in the training on the Latest Trend of Regulation on Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer and the training on the Overview of Recent New Regulations for the Supervision of A-share Listed Companies provided by Haiwen & Partners; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Trend and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd.; from September to December 2021, participating in the follow-up vocational training for securities practitioners in 2021 provided by the Securities Association of China.
YU Jian	Executive Director, Secretary to the Board	In March 2021, participating in the training on the Latest Trend of Regulation on Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer and the training on the Overview of Recent New Regulations for the Supervision of A-share Listed Companies provided by Haiwen & Partners; in April 2021, participating in the Third Session of Special Training on Corporate Governance in 2021 provided by the China Association for Public Companies; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Trend and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd.; from September to December 2021, participating in the follow-up vocational training for securities practitioners in 2021 provided by the Securities Association of China.

Section IV Corporate Governance

Name	Position	Training method and content
LIU Xinyi	Non-executive Director	<p>In March 2021, participating in the training on the Latest Trend of Regulation on Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer and the training on the Overview of Recent New Regulations for the Supervision of A-share Listed Companies provided by Haiwen & Partners; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Trend and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd.; in January 2022, participating in the training for directors and supervisors in Shanghai in 2021 provided by Shanghai Bureau of the CSRC and the Listed Companies Association of Shanghai.</p>
GUAN Wei	Non-executive Director	<p>In March 2021, participating in the training on the Latest Trend of Regulation on Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer and the training on the Overview of Recent New Regulations for the Supervision of A-share Listed Companies provided by Haiwen & Partners; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Trend and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd.; in January 2022, participating in the training on the Information Disclosure Risk Prevention of Listed Companies under the Background of the Amendment to Criminal Law (XI) provided by the Shanghai Stock Exchange and the Shanghai Stock Exchange Academy.</p>

Section IV Corporate Governance

Name	Position	Training method and content
ZHONG Maojun	Non-executive Director	In March 2021, participating in the training on the Latest Trend of Regulation on Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer and the training on the Overview of Recent New Regulations for the Supervision of A-share Listed Companies provided by Haiwen & Partners; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Trend and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd..
CHEN Hua	Non-executive Director	In June 2021, participating in the pre-service training for directors provided by Freshfields Bruckhaus Deringer; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Trend and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd.; in January 2022, participating in the training for directors and supervisors in Shanghai in 2021 provided by Shanghai Bureau of the CSRC and the Listed Companies Association of Shanghai.
WANG Wenjie	Non-executive Director	In March 2021, participating in the training on the Latest Trend of Regulation on Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer and the training on the Overview of Recent New Regulations for the Supervision of A-share Listed Companies provided by Haiwen & Partners; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Trend and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd..

Section IV Corporate Governance

Name	Position	Training method and content
ZHANG Zhan	Non-executive Director	In June 2021, participating in the pre-service training for directors provided by Freshfields Bruckhaus Deringer; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Trend and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd.; in January 2022, participating in the training for directors and supervisors in Shanghai in 2021 provided by Shanghai Bureau of the CSRC and the Listed Companies Association of Shanghai.
ZHANG Yipeng	Non-executive Director	In November 2021, participating in the pre-service training for directors provided by Freshfields Bruckhaus Deringer; in January 2022, participating in the training for directors and supervisors in Shanghai in 2021 provided by Shanghai Bureau of the CSRC and the Listed Companies Association of Shanghai.
AN Hongjun	Non-executive Director	In March 2021, participating in the training on the Latest Trend of Regulation on Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer and the training on the Overview of Recent New Regulations for the Supervision of A-share Listed Companies provided by Haiwen & Partners; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Trend and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd..

Section IV Corporate Governance

Name	Position	Training method and content
XIA Dawei	Independent Non-executive Director	In March 2021, participating in the training on the Latest Trend of Regulation on Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the Overview of Recent New Regulations for the Supervision of A-share Listed Companies provided by Haiwen & Partners; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Situation and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd.; in December 2021, participating in the training on material changes in Corporate Governance and Environmental, Social and Governance Reporting Guide, enhanced disciplinary mechanism of the Hong Kong Stock Exchange, Directors’ Responsibilities and analysis of cases enforced by the Hong Kong Stock Exchange and the SFC provided by Baker & McKenzie.
DING Wei	Independent Non-executive Director	In June 2021, participating in the pre-service training for directors provided by Freshfields Bruckhaus Deringer; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Situation and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd..
LI Renjie	Independent Non-executive Director	In June 2021, participating in the pre-service training for directors provided by Freshfields Bruckhaus Deringer; in July 2021, participating in the 76th independent director qualification training provided by the Shanghai Stock Exchange; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Situation and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd..

Section IV Corporate Governance

Name	Position	Training method and content
BAI Wei	Independent Non-executive Director	In June 2021, participating in the pre-service training for directors provided by Freshfields Bruckhaus Deringer; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Situation and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd..
LEE Conway Kong Wai	Independent Non-executive Director	In March 2021, participating in the training on the Latest Trend of Regulation on Listed Companies in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the Overview of Recent New Regulations for the Supervision of A-share Listed Companies provided by Haiwen & Partners; in April 2021, participating in the training on Ongoing Obligations of Hong Kong Listed Companies provided by Freshfields Bruckhaus Deringer; in August 2021, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer, the training on the A-share Listed Companies – Compliance Matters for Directors provided by Haiwen & Partners and the training on the Anti-money Laundering Regulatory Situation and the Performance of Directors and Supervisors provided by Hangzhou Qixin Enterprise Management Consulting Service Co., Ltd.; in December 2021, participating in the training on Disclosure of Interests provided by Cleary Gottlieb Steen & Hamilton LLP, the training on Recent Enforcement Actions of the Hong Kong Stock Exchange provided by Sullivan & Cromwell LLP, the training on Ongoing Obligations of Hong Kong Listed Companies provided by Sidley Austin, the training on Directors' General Duties and Cases provided by Paul Hastings, 2021 Hong Kong Regulatory Express Seminar held by GCL New Energy, the training on ESG provided by Ernst & Young, follow-up training for independent directors of listed companies (phase IV) provided by the Shanghai Stock Exchange in 2021.
CHAI Hongfeng	Independent Non-executive Director	In November 2021, participating in the pre-service training for directors provided by Freshfields Bruckhaus Deringer, participating in the 78th independent director qualification training provided by the Shanghai Stock Exchange.

Section IV Corporate Governance

VII. SPECIAL COMMITTEES UNDER THE BOARD

√ Applicable □ Not applicable

(1). Composition of special committees under the Board

Special committees	Names of members
Strategy and ESG Committee	HE Qing (Chairman), LIU Xinyi (Member), WANG Wenjie (Member), AN Hongjun (Member), DING Wei (Member), CHAI Hongfeng (Member)
Remuneration, Appraisal and Nomination Committee	XIA Dawei (Chairman), GUAN Wei (Member), WANG Wenjie (Member), DING Wei (Member), LI Renjie (Member)
Audit Committee	LEE Conway Kong Wai (Chairman), CHEN Hua (Member), ZHANG Zhan (Member), XIA Dawei (Member), BAI Wei (Member)
Risk Control Committee	LI Renjie (Chairman), WANG Song (Member), ZHONG Maojun (Member), ZHANG Yipeng (Member), BAI Wei (Member)

(2). During the Reporting Period, the Strategy and ESG Committee held one meeting

Convening date	Meeting session	Major opinions and recommendations	Other performance of duties
23 August 2021	The first meeting of the Strategy and ESG Committee under the sixth session of the Board	The Proposal on Proposed Amendments to the Working Rules of the Strategy Committee under the Board was considered and approved, and was agreed to be submitted to the Board for consideration.	Major accomplishments of the Strategy and ESG Committee in 2021: supervised the Outline of Financial Technology Strategy Planning for 2019-2021 (《2019-2021年金融科技戰略規劃綱要》) of the Company, supervised the implementation of the Outline of Development Strategy Planning for 2019-2021 (《2019-2021年發展戰略規劃綱要》) of the Company; the committee was renamed as the Strategy and ESG Committee by adding ESG-related functions to conduct research on the Company's ESG governance and provide decision-making advice, including ESG governance vision, goals, policies, etc.

Section IV Corporate Governance

- The main functions and duties of the Strategy and ESG Committee: conducting analysis and providing decision-making advices on the mid- and long-term strategies of the Company; conducting analysis and providing advices on major investments and financing proposals subject to the Board's approval; conducting analysis and provide decision-making advices on the Company's ESG, including ESG vision, goals, policies, etc.; conducting analysis and providing advices on other material matters affecting the development of the Company; and checking and evaluating the implementation of the above matters, and providing timely advices for necessary adjustments; and other duties delegated by the Board.
- During the Reporting Period, the attendance of meeting by the members of the Strategy and ESG Committee is as follows:

Name	Number of meeting to be attended	Number of meeting actually attended
HE Qing	1	1
LIU Xinyi	1	1
WANG Wenjie	1	1
AN Hongjun	1	1
DING Wei	1	1
CHAI Hongfeng	–	–
LING Tao (resigned)	–	–

Note: Mr. CHAI Hongfeng served as a member of the Strategy and ESG Committee since December 2021.

Section IV Corporate Governance

(3). During the Reporting Period, the Remuneration, Appraisal and Nomination Committee held seven meetings

Convening date	Meeting session	Major opinions and recommendations	Other performance of duties
8 February 2021	The twenty-first meeting of the Remuneration, Appraisal and Nomination Committee under the fifth session of the Board of the Company	The Proposal on the Method and Work Plan for Selection and Employment of Professional Manager of the Company (《關於公司職業經理人選聘辦法及選聘工作方案的議案》) was considered and approved.	Major accomplishments of the Remuneration, Appraisal and Nomination Committee in 2021 included: reviewing the performance of the duties by the Directors and senior management of the Company, and conducting annual evaluation of the performance of such persons; reviewing the method and work plan for selection and employment of professional manager of the Company; reviewing the adjustment to the grant price and repurchase and cancellation of the reserved portion of the Restricted Share Incentive Scheme of A Shares of the Company; reviewing the proposal on the 2020 remuneration incentives for senior management and professional managers appointed by the Company; proposing to amend the working rules of the Remuneration, Appraisal and Nomination Committee under the Board of the Company.

Section IV Corporate Governance

Convening date	Meeting session	Major opinions and recommendations	Other performance of duties
24 March 2021	The twenty-second meeting of the Remuneration, Appraisal and Nomination Committee under the fifth session of the Board of the Company	The provision for total remuneration for 2020 of the parent company for final accounting was considered and approved; the adoption of the original method of budget accrual for 2021 remuneration of the parent company; the 2020 work reports of certain senior management were listened at the meeting; the performance of certain senior management in 2020 was evaluated and scored at the second level at the meeting; a special appraisal based on the work report of Ms. ZHANG Zhihong in charge of compliance and the 2020 appraisal report was issued to her at the meeting; the 2020 performance-based bonus plan for certain senior management of the Company was approved.	
24 May 2021	The twenty-third meeting of the Remuneration, Appraisal and Nomination Committee under the fifth session of the Board of the Company	The candidates for Directors and independent Directors of the sixth session of the Board were considered and approved; the remuneration standards for Directors of the sixth session of the Board of the Company were approved.	

Section IV Corporate Governance

Convening date	Meeting session	Major opinions and recommendations	Other performance of duties
18 July 2021	The first meeting of the Remuneration, Appraisal and Nomination Committee under the sixth session of the Board of the Company	The Proposal and Resolution on Grant of Reserved Restricted A Shares to Participants by the Company (《公司向激勵對象授予預留A股限制性股票的建議及議案》) was considered and approved for the Board' consideration.	
23 August 2021	The second meeting of the Remuneration, Appraisal and Nomination Committee under the sixth session of the Board of the Company	The qualification of Mr. ZHANG Yipeng as a director of a securities company and the qualification of Mr. CHAI Hongfeng as an independent director of a securities company were considered; the Proposal on Adjustment to the Grant Price of the Reserved Portion of the Restricted Share Incentive Scheme of A Shares of the Company (《關於調整公司A股限制性股票激勵計畫預留授予價格的建議》) was approved; the Proposal on Amendment to the Working Rules of the Remuneration, Appraisal and Nomination Committee under the Board of the Company (《關於提請修訂公司董事會薪酬考核與提名委員會工作規則的建議》) was approved.	

Section IV Corporate Governance

Convening date	Meeting session	Major opinions and recommendations	Other performance of duties
7 September 2021	The third meeting of the Remuneration, Appraisal and Nomination Committee under the sixth session of the Board of the Company	<p>The proposal on the implementation plan for further deepening the reform of the remuneration system for professional manager and related supporting systems, measures, letters of appointment and employment contracts were considered and approved; the proposal on the repurchase and cancellation under the Restricted Share Incentive Scheme of A Shares of the Company was approved; the 2020 written work reports of the chairman of the Board, the president and other professional managers were listened; the 2020 and 2021 performance management contracts and the responsibility letters for achievement of goals for 2020-2021 term of professional managers and the 2021 performance management contracts of other senior management were approved; the professional managers of the Company were appraised and scored at the second level and the final business performance appraisal scores of professional managers in 2020 were determined based on the second level of appraisal score; the determination of the 2020 performance-based annual salaries of the professional managers by the Company according to the implementation plan and related measures for further deepening the reform of the remuneration system for professional managers.</p>	

Section IV Corporate Governance

Convening date	Meeting session	Major opinions and recommendations	Other performance of duties
30 September 2021	The fourth meeting of the Remuneration, Appraisal and Nomination Committee under the sixth session of the Board of the Company	The Proposal on the 2020 Remuneration Incentives for the Senior Management Appointed by the Company (《關於公司組織任命領導人員2020年度薪酬激勵的建議》) was reviewed and approved, pursuant to which the remuneration incentives for the senior management appointed by the Company will be implemented in accordance with the spirit of the Shanghai SASAC.	

- The main functions and duties of the Remuneration, Appraisal and Nomination Committee:

Reviewing and advising on the selection criteria and procedures of directors and senior management; looking for qualified directors and senior management candidates, reviewing and advising on the qualifications of directors and senior management candidates; reviewing and advising on the appraisal and remuneration management system of directors and senior management; conducting and advising on the appraisal of directors and senior management; and other functions and duties delegated by the Board.

To comply with the requirements regarding board diversity in the Hong Kong Listing Rules and ensure a more scientific and reasonable composition of the Board, the Company has formulated Board Diversity Policy. The Company selects candidates for Directors taking into account various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service. The Remuneration, Appraisal and Nomination Committee under the Board discuss and agree expected objectives with aims to promote the implementation of Board diversity policy and advice the Board on acting for such objectives. The composition of the Board satisfies the requirements regarding the Board Diversity Policy. The Company regards enhancing diversification at the level of the Board as a key element for meeting the Group's strategic goal and achieving sustainable and balanced development. As a part of the succession plan for the Board, the Remuneration, Appraisal and Nomination Committee shall review the structure, size and composition of the Board (including skills, knowledge and experience) at least once a year, and make recommendations on changes in the composition of the Board in light of the Company's strategy. In nominating candidates for Directors, the following factors shall be considered: candidates' characters, qualifications (including professional qualifications, skills, knowledge and experience related to the Company's business and strategy), any measurable objectives adopted for implementing the Board Diversity Policy, and conditions required by the stock exchange on which shares were listed and the regulatory authorities in the countries where shares were listed.

Section IV Corporate Governance

- During the Reporting Period, the attendance of meeting by the members of the Remuneration, Appraisal and Nomination Committee is as follows:

Name	Number of meeting to be attended	Number of meeting actually attended
XIA Dawei	7	7
GUAN Wei	7	7
WANG Wenjie	7	7
DING Wei	4	4
LI Renjie	4	4
CHEN Guogang (resigned)	3	3
JIN Qingjun (resigned)	3	3

Note: Mr. DING Wei and Mr. LI Renjie served as a member of the Remuneration, Appraisal and Nomination Committee since June 2021.

Section IV Corporate Governance

(4). During the Reporting Period, the Audit Committee held six meetings

Convening date	Meeting session	Major opinions and recommendations	Other performance of duties
24 March 2021	The twenty third meeting of the Audit Committee under the fifth session of the Board	The meeting was presented the report on auditing work in 2020 of the Company by KPMG Huazhen LLP, considered and approved the Report on Auditing of the Company for 2020 (《公司2020年度審計報告》), the Report on Internal Control and Auditing of the Company (《公司內部控制審計報告》), the Resolution on Proposing to Consider the Report on Special Audit of Anti-money Laundering of the Company for 2020 (《關於提請審議公司2020年度反洗錢專項審計報告的議案》), finalized the Resolution on Proposing to Consider the List of Related Parties of the Company (《關於提請審議公司關聯方名單的議案》), approved the submission of the Resolution on Proposing to Consider the Profit Distribution Plan of the Company for 2020 (《關於提請審議公司2020年度利潤分配預案的議案》), the Resolution on Proposing to Consider the Re-appointment of Accounting Firm (《關於提請審議公司續聘會計師事務所的議案》), the Resolution on Proposing to Consider the Report on the Performance of Duties by the Audit Committee for 2020 (《關於提請審議董事會審計委員會2020年度履職情況報告的議案》), the Resolution on Proposing to Consider the Annual Report of the Company for 2020 (《關於提請審議公司2020年年度報告的議案》), the Resolution on Proposing to Consider Anticipated Daily Related Party Transactions of the Company for 2021 (《關於預計2021年度日常關聯交易的議案》), the Resolution on Proposing to Consider the Internal Control Assessment Report of the Company for 2020 (《關於提請審議公司2020年度內部控制評價報告的議案》) to the Board for consideration; and was presented the report on summary of works for 2020 and work plan for 2021 by the Group Audit Center.	Major accomplishments of the Audit Committee in 2021: hearing the annual audit plan of external auditors and making suggestions; supervising the works of external audit institutions; hearing internal audit work reports and making suggestions; reviewing the Company's periodic reports including the annual report, semi-annual reports and quarterly reports; reviewing the Company's internal audit work reports and the Company's annual internal control assessment report, annual special audit report of anti-money laundering; finalizing the list of related parties of the Company, reviewing regular related party transactions and occasional related party transactions and estimate of the related party transactions in 2021.

Section IV Corporate Governance

Convening date	Meeting session	Major opinions and recommendations	Other performance of duties
28 April 2021	The twenty fourth meeting of the Audit Committee under the fifth session of the Board	Approved the submission of the Resolution on Proposing to Consider the First Quarterly Report of the Company in 2021 (《關於提請審議公司2021年第一季度報告的議案》) and the Resolution on Proposing to Consider the Joint Investment of the Company and Related Parties in the Shanghai Kechuang Fund Phase II (《關於提請審議公司與關聯方共同參與投資上海科創二期基金的議案》) to the Board for consideration.	
23 August 2021	The first meeting of the Audit Committee under the sixth session of the Board	The meeting was presented the Report on Auditing Work for the First Half of 2021 of the Company (《關於公司2021年半年度審閱工作的匯報》) by KPMG Huazhen LLP, the Report on Work for the First Half of 2021 (《2021年上半年工作匯報》) by the Group Audit Center, approved the submission of the Resolution on Proposing to Consider the Interim Report of 2021 of the Company (《關於提請審議公司2021年半年度報告的議案》), the Resolution on Proposing to Consider the Compliance Management Effectiveness Evaluation Report of the Company for 2020 (《關於提請審議公司2020年度合規管理有效性評估報告的議案》), the Resolution on Proposing to Consider Specially Authorizing the Management of the Company to Write Off Bad Debts (《關於提請審議專項授權公司經營層核銷呆帳的議案》), the Resolution on Proposing to Consider the Co-investment with Related Parties to Participate in the Establishment of Sailing Fund (《關於提請審議公司與關聯方共同投資參與設立賽領基金的議案》) and the Resolution on Proposed Amendments to the Working Rules of the Audit Committee under the Board (《關於提請修訂董事會審計委員會工作規則的議案》) to the Board for consideration, finalized the Resolution on Proposing to Consider the List of Related Parties of the Company (《關於提請審議公司關聯人名單的議案》).	

Section IV Corporate Governance

Convening date	Meeting session	Major opinions and recommendations	Other performance of duties
30 September 2021	The second meeting of the Audit Committee under the sixth session of the Board	Approved the submission of the Resolution on Proposing to Consider the Acquisition of Part of Shares of HuaAn Funds Management Co., Ltd. (《關於提請審議公司受讓華安基金管理有限公 司部分股權的議案》) to the Board for consideration.	
29 October 2021	The third meeting of the Audit Committee under the sixth session of the Board	Approved the submission of the Resolution on Proposing to Consider the Third Quarterly Report of the Company in 2021 (《關於提請審議公司2021年第三 季度報告的議案》) to the Board for consideration.	
1 December 2021	The fourth meeting of the Audit Committee under the sixth session of the Board	Approved the submission of the Resolution on Proposing to Consider the Co-investment with Related Parties to Participate in the Establishment of Shanghai Lingang Guotai Junan Science and Technology Frontier Industry Fund (《關於提請審議公司與關聯方共同投 資參與設立上海臨港國泰君安科技前 沿產業基金的議案》) to the Board for consideration.	

- The main functions and duties of the Audit Committee:

Supervising the Company's internal audit system and its implementation; supervising and evaluating external audit work, proposing the engagement or replacement of external auditors and supervising the practice of external audit institutions; auditing the Company's financial information and its disclosures, including supervising annual audit work, making judgments on the authenticity, accuracy and completeness of information in the audited financial report and submitting it to the Board for consideration; taking responsibility for the communication between internal audit and external audit; supervising and evaluating the Company's internal control system; performing the responsibilities of related party transaction control and daily management; taking responsibility for other duties as required by laws and regulations, the Articles of Association and delegated by the Board.

Section IV Corporate Governance

In accordance with the requirements of the Working Rules of the Audit Committee under the Board, the Audit Committee plays full role in the working of the annual report and financial statements, actively performs responsibilities of preparing and reviewing the disclosures in annual reports and financial statements, improves the quality and transparency of the disclosure in the annual reports and financial statements.

During the Reporting Period, through reviewing the Company's periodic financial statements, audit work report and the proposal of related party/connected transactions, the Audit Committee obtained a full picture of the Company's financial status, supervised the progress of audit work and the implementation of related party/connected transactions, and reviewed the effectiveness of the Company's internal control.

- During the Reporting Period, the attendance of meeting by the members of the Audit Committee is as follows:

Name	Number of meeting to be attended	Number of meeting actually attended
LEE Conway Kong Wai	6	6
CHEN Hua	4	4
ZHANG Zhan	4	4
XIA Dawei	6	6
BAI Wei	4	4
CHEN Guogang (resigned)	2	2
ZHOU Lei (resigned)	2	2
LIN Facheng (resigned)	2	2

Note: Mr. CHEN Hua, Mr. ZHANG Zhan and Mr. BAI Wei served as a member of the Audit Committee since June 2021.

Section IV Corporate Governance

(5). During the Reporting Period, the Risk Control Committee held two meetings

Convening date	Meeting session	Major opinions and recommendations	Other performance of duties
24 March 2021	The eleventh meeting of the Risk Control Committee under the fifth session of the Board	Considered the Resolution on Proposing to Consider the Anti-money Laundering Report of the Company for 2020 (《關於提請審議公司反洗錢2020年度報告的議案》), approved the submission of the Resolution on Proposing to Consider the Risk Management Report of the Company for 2020 (《關於提請審議公司2020年度風險管理報告的議案》), the Resolution on Proposing to Consider the Compliance Report of the Company for 2020 (《關於提請審議公司2020年度合規報告的議案》), the Resolution on Proposing to Consider the Group Companies' Risk Preference for 2021 (《關於提請審議2021年度集團公司風險偏好的議案》), the Resolution on Proposing to Consider the Scale of Proprietary Trading Business of the Group Companies for 2021 (《關於提請審議2021年度集團公司自有資金業務規模的議案》) to the Board for consideration.	Major achievements of the Risk Control Committee in 2021: reviewing and proposing the Board to determine the risk preference of 2021; reviewing and proposing the Board to determine the scale for the Company's proprietary trading business; reviewing the Anti-money Laundering Report of the Company for 2020 and the Compliance Management Effectiveness Evaluation Report of the Company for 2020; amending the Working Rules of the Risk Control Committee under the Board (《董事會風險控制委員會工作規則》); reviewing regularly the compliance reports and risk management reports of the Company.
23 August 2021	The first meeting of the Risk Control Committee under the sixth session of the Board	Approved the submission of the Resolution on Proposing to Consider the Interim Risk Management Report of the Company for 2021 (《關於提請審議公司2021年中期風險管理報告的議案》), the Resolution on Proposing to Consider the Interim Compliance Report of the Company for 2021 (《關於提請審議公司2021年中期合規報告的議案》) and the Resolution on Proposed Amendments to the Working Rules of the Risk Control Committee under the Board (《關於提請修訂董事會風險控制委員會工作規則的議案》) to the Board for consideration, approved the submission of the Compliance Management Effectiveness Evaluation Report of the Company for 2020 (《關於公司2020年度合規管理有效性評估的報告》) to the Board for review.	

Section IV Corporate Governance

- The main functions and duties of the Risk Control Committee:

Reviewing and advising on the overall objectives and basic policies for compliance management and risk management; reviewing and advising on the organization design and duties of compliance management and risks management; evaluating and advising on the risks of important decisions and solutions to resolve significant risks which require the review by the Board; reviewing and advising on the compliance reports and risk assessment reports which require the review by the Board; discussing the effectiveness of risk management and internal control systems of the Company and its subsidiaries at least annually as delegated by the Board, and reporting to Shareholders about the accomplishment of the relevant discussion, and the scopes of such discussion shall cover each and every key aspect of the control systems including the financial control system, operation control system and compliance control system; and performing other functions and duties as delegated by the Board.

- During the Reporting Period, the attendance of meeting by the members of the Risk Control Committee is as follows:

Name	Number of meeting to be attended	Number of meeting actually attended
LI Renjie	1	1
WANG Song	2	2
ZHONG Maojun	2	2
ZHANG Yipeng	–	–
BAI Wei	1	1
LIU Xinyi (resigned)	1	1
ZHOU Hao (resigned)	1	1
LING Tao (resigned)	1	1
FAN Renyi (resigned)	–	–

Note: Mr. LI Renjie served as the chairman of the Risk Control Committee since June 2021; Mr. BAI Wei served as a member of the Risk Control Committee since June 2021; and Mr. ZHANG Yipeng served as a member of the Risk Control Committee since December 2021.

(6). Details of any disagreements

- Applicable Not applicable

Section IV Corporate Governance

VIII. PERFORMANCE OF DUTIES BY THE SUPERVISORY COMMITTEE

Applicable Not applicable

(I) Supervisory Committee's comments on identification of risks in the Company

The Supervisory Committee has no objection toward matters during the Reporting Period.

(II) Meetings of the Supervisory Committee during the Reporting Period

During the Reporting Period, the Supervisory Committee has convened nine meetings in total, including four regular meetings and five extraordinary meetings. After consideration and voting, all resolutions of the Supervisory Committee during the Reporting Period were unanimously approved, without abstention or objections. Information on those meetings is as follows:

- (1) The nineteenth meeting of the fifth session of the Supervisory Committee was held by the Company on-site on 25 March 2021, at which nine resolutions on the Work Report of the Supervisors for 2020 (《公司2020年度監事會工作報告》), the Profit Distribution Plan of the Company for 2020 (《公司2020年度利潤分配預案》), the Risk Management Report of the Company for 2020 (《公司2020年度風險管理報告》), the Compliance Report of the Company for 2020 (《公司2020年度合規報告》), the Anti-money Laundering Report of the Company for 2020 (《公司2020年度反洗錢工作報告》) and the Report on the Special Audit of Anti-money Laundering of the Company for 2020 (《公司2020年度反洗錢專項審計報告》) were considered and approved, and written review opinions on the Annual Report and the Profit Distribution Plan were given; and the Report on Implementation of the Financial Final Accounts and Budget of the Company for 2020 (《公司2020年度財務決算及預算執行情況的報告》) was presented to have a knowledge about the completion of the Company's annual final accounts and budget,
- (2) The twentieth meeting of the fifth session of the Supervisory Committee was held on 28 April 2021 by means of considering in writing and voting through communications, at which the First Quarterly Report of the Company in 2021 (《公司2021年第一季度報告》) was reviewed and approved, and written review opinions on the report were given.
- (3) The ninth extraordinary meeting of the fifth session of the Supervisory Committee was held on 26 May 2021 by means of considering in writing and voting through communications, at which the Resolution on Proposing the Supervisory Committee to Nominate Candidates for Non-employee Representative Supervisors of the Sixth Session of the Supervisory Committee of the Company (《關於提請監事會提名公司第六屆監事會非職工監事候選人的議案》) and the Resolution on Proposing to Determine the Remuneration for Supervisors of the Sixth Session of the Supervisory Committee at the General Meeting (《關於提請股東大會決定第六屆監事會監事報酬的議案》) were reviewed and approved and were submitted to the 2020 annual general meeting of shareholders for consideration.

Section IV Corporate Governance

- (4) The first meeting of the sixth session of the Supervisory Committee was held by the Company on-site on 28 June 2021, at which the Resolution on Proposed Election of Chairman and Vice Chairman of the Sixth Session of the Supervisory Committee was reviewed and approved and Ms. LI Zhongning was elected as the chairman of the sixth session of the Supervisory Committee and Mr. WU Hongwei was elected as the vice chairman of the sixth session of the Supervisory Committee.
- (5) The Company held the first extraordinary meeting of the sixth session of Supervisory Committee on 15 July 2021 by means of considering in writing and voting through communications, at which the Resolution on Proposing to Consider the Publicity and the Verification Opinion of the Participants of the Reserved Portion of the Restricted Share Incentive Scheme of A share of the Company (《關於提請審議公司A股限制性股票激勵計劃預留部分激勵對象名單公示情況及核查查意見的議案》) was reviewed and approved, and written review opinions were given.
- (6) The Company held the second extraordinary meeting of the sixth session of Supervisory Committee on site on 19 July 2021, at which the Resolution on Proposing to Consider the Grant of the Reserved Restricted A Shares to the Participants (《關於提請審議向激勵對象授予預留A股限制性股票的議案》) was reviewed and approved, and written review opinions were given.
- (7) The Company held the second meeting of the sixth session of Supervisory Committee on site on 24 August 2021, at which the five resolutions such as the 2021 Interim Report, the 2021 Interim Compliance Report, the 2021 Interim Risk Management Report were reviewed and approved, the 2020 Annual Report on Compliance Management Effectiveness Assessment was presented, and written review opinions on the Interim Report were given.
- (8) The Company held the third extraordinary meeting of the sixth session of Supervisory Committee on 15 September 2021 by means of considering in writing and voting through communications, at which the Resolution on Proposing to Consider Repurchase and Cancellation of Certain Restricted A Shares by the Company (《關於提請審議公司回購註銷部分A股限制性股票的議案》) and the same was submitted to general meeting and class shareholders' meeting for consideration.
- (9) The Company held the third meeting of the sixth session of Supervisory Committee on 29 October 2021 by means of considering in writing and voting through communications, at which the Third Quarterly Report of the Company in 2021 was reviewed and approved, and written review opinions on the report were given.

Section IV Corporate Governance

(III) Attendance at meetings of the Supervisory Committee and general meetings by Supervisors during the Reporting Period

Name	Position	Attendance at meetings of the Supervisory Committee					Attendance at
		No. of meetings of the Supervisory Committee to be attended this year	No. of meetings attended in person	No. of meetings		Number of absence	general meetings
				attended by way of telecommunication	attended by proxy		
LI Zhongning	The chairwoman of the Supervisory Committee	9	9	5	0	0	1
WU Hongwei	The vice chairman of the Supervisory Committee, employee supervisor	6	6	3	0	0	1
ZHOU Zhaohui	Supervisor	6	6	3	0	0	0
SHEN Yun	Supervisor	6	4	3	2	0	0
ZUO Zhipeng	Supervisor	9	8	5	1	0	1
SHAO Liangming	Employee supervisor	6	6	3	0	0	1
XIE Min	Employee supervisor	6	6	3	0	0	1
WANG Lei (resigned)	Former Vice Chairman of the Supervisory Committee, Former Employee Supervisor	3	2	2	1	0	0
SHAO Chong (resigned)	Former supervisor	3	3	2	0	0	0
FENG Xiaodong (resigned)	Former supervisor	3	3	2	0	0	0
WANG Weijie (resigned)	Former employee supervisor	3	3	2	0	0	1
LIU Xuefeng (resigned)	Former employee supervisor	3	3	2	0	0	1
Number of the meetings of the Supervisory Committee held during the year				9		The Company	
Including: Number of on-site meetings				4		convened two	
Number of meetings held by way of telecommunication				5		general meetings	
						during the year	

Note: For the term of office of Supervisors, please refer to "IV. Changes in Directors, Supervisors and Senior Management of the Company" in this section.

Section IV Corporate Governance

IX. INFORMATION OF EMPLOYEES OF PARENT COMPANY AND PRINCIPAL SUBSIDIARIES

(I) Information of employees

Number of existing employees of parent company	11,115
Number of existing employees of major subsidiaries	2,226
Total number of existing employees	13,341
Number of disengaged and retired employees for whom the parent company and major subsidiaries shall be liable to expenses	

Professions

Type of professions	Number of individuals
Business personnel	8,448
Business support personnel	4,252
Management personnel	641
Total	13,341

Educational background

Level of education	Number of individuals
Doctors	144
Masters and postgraduates	4,487
Bachelors	6,937
Associate degree and below	1,773
Total	13,341

(II) Remuneration policy

Applicable Not applicable

The Company has formulated a series of remuneration management systems in line with the practical conditions of the Company pursuant to relevant PRC laws and regulations and the Articles of Association, including the Administrative Measures on Remuneration, and the Administrative Measures on Performance, and the Administrative Measures on Professional Ranking. The Company establishes a post value and competence oriented and performance-related remuneration system to achieve “inside fairness and outside competition”, which improves the utility efficiency of remuneration resources and motivates excellent employees for the purpose of attracting and retaining excellent talents. The Company has formulated and implemented the Restricted Share Incentive Scheme of A Shares (《A股限制性股票激勵計劃》) in accordance with the PRC laws and regulations, to further strengthen the incentive and retention of core staff. The Company maintains and makes contribution to various social insurances (including the pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance), housing fund and enterprise annuity for its employees in accordance with the PRC laws and regulations.

Section IV Corporate Governance

(III) Training programs

Applicable Not applicable

In 2021, the Company played the “serving strategy and empowering business” role of training, strengthened the systematic training of “three types of talents” in wealth management, institutional finance and corporate financial services, fully deployed the normalized training and development of the Company’s digitation talents and international talents, focused on promoting the improvement of political quality, management skills and performance of middle and grass-roots management talents and outstanding young cadres. In 2021, the Company’s employees had a total of 1,133,800 hours of offline and online training, including 900,100 hours of online training and 233,700 hours of offline face-to-face training. By the end of 2021, a total of 17,277 online courses and 2,540 offline courses in 22 categories covering the Company’s entire business and all types of talent pipeline had been developed and introduced.

(IV) Labour outsourcing

Applicable Not applicable

Total number of working hours of labour outsourcing

Standard working hour policies

Total compensation paid for labour outsourcing

RMB15,581,700

(V) Information of the brokers

As at the end of 2021, the Group had a total of 1,910 security brokers, representing a decrease of 940 compared with last year. Brokers sign entrustment contracts with the Group to accept the entrustment of the Group and engage in customer soliciting and customer services within the authorization of the Group. The Group conducts unified management over brokers and has established a complete system of rules, internal control system and system platform to standardize management over brokers. The Group has taken preventative measures beforehand, processes monitoring and posts reviews in respect of the conduction of business, by brokers. The Group has effectively controlled risks associated with brokers related business, by providing pre-job training and training for the conduction of business to reinforce the management over the practices of brokers, monitoring and tracking transactions of brokers clients via off-site monitoring platforms to identify risks on a timely basis, and conducting audits to standardize management over brokers and to effectively control brokers related business risks. In addition, the Group paid regular visits to the clients of the brokers to get feedbacks on practices and assure compliance in conducting business.

Section IV Corporate Governance

X. PROPOSAL FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE FUND INTO CAPITAL

(I) Formulation and implementation of or adjustment to the cash dividend policy

Applicable Not applicable

According to the Articles of Association, the Company has explicitly formulated the profit distribution policy, including the cash dividend policy which states that “The Company actively adopts a positive, sustainable and stable profit appropriation policy, which emphasizes a reasonable investment return for investors. The Company may distribute dividends in cash, in shares or in a combination of both cash and shares. The Company shall give priority to distribute dividends in cash provided that the conditions for cash distribution are satisfied. When implementing the cash dividend distribution, the Company shall consider the internal and external factors, directors’ opinions and Shareholders’ expectations. Under the preconditions that Company has no plan or there is no significant cash expenditure, as well as the net profits realized by the Company in current year, the accumulated undistributed profits at end of current year and the capital reserve are positive, the Board of the Company shall distribute annual or interim profits by cash as long as it does not affect the normal operation of the Company, in which case the Company shall distribute cash dividends (including interim and final dividends) in an amount equal to at least 15% of the annual distributable profits (net of gains from fair value changes and so on according to relevant requirements) in any year. In distributing profits by means of shares, the Company should take into account the operation position and share capital scale and adequately consider factors such as growth, dilution to net assets per share and so on.

The Board of the Company shall take various factors into account, including its industry features, the stage of development, its own business model, profitability as well as whether it has any substantial capital expenditure arrangement, to propose a differentiated policy for distributing cash dividend. Unless otherwise stipulated in the Articles of Association, the profit distributed in cash each time shall not be less than 20% of the actual profit distributed.

If the Company decides not to make cash dividend or decides to make cash dividend at a ratio lower than the prescribed one in special circumstances, the Company shall implement the relevant decision-making procedures and make disclosure according to laws, administrative regulations, departmental rules and the provisions of the exchanges where the securities of the Company are listed.”

As at the end of 2021, the Company’s distributable profit was RMB39,930,078,531. Pursuant to the requirements of the CSRC, the portion of the gains on fair value changes in the distributable profits shall not be used for cash distribution to shareholders. After deducting the impact of the net gains and losses on changes in fair value at the end of 2021 on the distributable profits of RMB3,022,351,434, the amount of cash dividends available for distribution to investors at the end of 2021 is RMB36,907,727,097.

Section IV Corporate Governance

The Company's profit distribution proposal for 2021 is: based on the total share capital of the Company on the record date for dividend distribution, the Company will distribute to the holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date for the dividend distribution a cash dividend of RMB6.80 (tax inclusive) for every 10 Shares.

As the A share convertible corporate bonds issued by the Company in July 2017 have entered into share conversion period from 8 January 2018, currently the Company is unable to determine in the total share capital of the Company as at the record date of dividend distribution for holders of A Shares. Based on the total share capital of the Company, being 8,908,449,523 Shares as at 31 December 2021, the total amount of cash dividends is RMB6,057,745,676, accounting for 40.35% of the consolidated net profit attributable to equity holders of the Company for 2021. The Company's profit distribution plan for 2021 has been approved at the fourth meeting of the sixth session of the Board, but is subject to the approval of the Shareholders at a general meeting of the Company.

After the Company's profit distribution plan for 2021 is considered and approved at the general meeting, cash dividends will be distributed within two months from the date of the annual general meeting.

The aforesaid profit distribution proposal of the Company is compliant and transparent and complies with the Articles of Associations and approval procedures, which sets out definite criteria and proportions of dividends. Independent Non-executive Directors have expressed their independent opinions that the decision-making procedures and mechanism are complete and the proposal fully protects minority investors' interests.

(II) Special explanation on cash dividend policy

Applicable Not applicable

Whether it complies with the provisions of the Company's Articles of Association or the requirements of the resolution of the general meeting	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> Not
Whether the dividend standard and ratio are specific and clear	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> Not
Whether the relevant decision-making procedure and mechanism are complete	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> Not
Whether the independent directors have performed their duties and played their due role	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> Not
Whether minority shareholders have opportunities to fully express their opinions and demands, and whether their legitimate rights and interests have been fully protected	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> Not

(III) If the Company records profits and the parent company records positive profits for distribution to shareholders during the Reporting Period but there is no proposal for cash profit distribution, the Company shall disclose the reasons and the usage of the retained profits and the usage plan in detail

Applicable Not applicable

Section IV Corporate Governance

XI. THE EQUITY INCENTIVE SCHEME, EMPLOYEE SHARE SCHEME OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THE IMPACT THEREOF

1. The Restricted Share Incentive Scheme of A Shares

1> Grant of reserved restricted A shares

On 19 July 2021, the Company held the first extraordinary meeting of the sixth session of the Board, at which the “Resolution on Proposing to Consider Grant of Reserved Restricted A Shares to Participants” (《關於提請審議向激勵對象授予預留A股限制性股票的議案》) was considered and approved, pursuant to which 19 July 2021 was determined as the grant date of the reserved shares and the reserved 9.99999 million restricted A shares were granted to 58 participants at a grant price of RMB8.51 per share.

On 24 August 2021, the Company held the second meeting of the sixth session of the Board, at which the “Resolution on Proposing to Consider Adjustment of Grant Price of Reserved Restricted A Shares” (《關於提請審議調整預留A股限制性股票授予價格的議案》) was considered and approved, pursuant to which the grant Price of the reserved restricted A shares was adjusted from RMB8.51 per share to RMB7.95 per share.

On 29 September 2021, the Company completed the registration procedures of the grant of reserved restricted A shares.

2> Repurchase and cancellation of certain restricted A shares

On 15 September 2021, the Company held the second extraordinary meeting of the sixth session of the Board, at which the “Resolution on Proposing to Consider Repurchase and Cancellation of Certain Restricted A Shares by the Company” (《關於提請審議公司回購註銷部分A股限制性股票的議案》) was considered and approved, pursuant to which the Company repurchased and canceled a total of 1,778,000 restricted A-shares that have been granted but have not been unlocked held by 11 participants who were no longer eligible as a participant under the first grant at a repurchase price of RMB7.08 per share with the repurchase amount of RMB12,588,240.

On 25 November 2021, the Company held the 2021 first extraordinary general meeting, the 2021 first A Shareholders’ class meeting and the 2021 first H Shareholders’ class meeting, at which the “Resolution on Proposing to Consider Repurchase and Cancellation of Certain Restricted A Shares” (《關於提請審議回購註銷部分A股限制性股票的議案》) was considered and approved, pursuant to which the Company was authorized to repurchase and cancel such 1,778,000 restricted A shares.

On 27 January 2022, the Company completed the repurchase and cancellation of 1,778,000 restricted A shares according to the repurchase price stated above. Upon the completion of the repurchase and cancellation, there are 87,221,990 restricted A shares remaining under the Company’s incentive scheme.

Section IV Corporate Governance

2. The Share Option Scheme of Guotai Junan International

Guotai Junan International adopted a share option scheme (the “Share Option Scheme of Guotai Junan International”) on 19 June 2010. The Share Option Scheme was valid and effective for a period of 10 years from the date of adoption, which had been expired on 19 June 2020. No further share options shall be granted after such period, but all granted and outstanding share options remain exercisable within 10 years from respective grant date and the provisions of the Share Option Scheme remain in full force and effect.

The purpose of the Share Option Scheme of Guotai Junan International is to provide the people working for the interests of Guotai Junan International with an opportunity to obtain equity interest in Guotai Junan International, thus linking their interests of Guotai Junan International and thereby providing them with an incentive to work better for the interests of Guotai Junan International.

The participants of the Share Option Scheme of Guotai Junan International are the directors (whether executive or non-executive and whether independent or not) and employees of the Guotai Junan International who, in the absolute opinion of the Board of Guotai Junan International, have contributed to Guotai Junan International or the Guotai Junan International Group.

The maximum number of shares of Guotai Junan International issued and to be issued upon exercise of share options granted and to be granted (including exercised, cancelled and outstanding options) pursuant to the Share Option Scheme of Guotai Junan International and any other share option schemes of Guotai Junan International to: (A) each participant in the 12-month period up to and including the date of grant, shall not exceed 1% of the total number of shares of Guotai Junan International in issue; and (B) a participant who is a substantial shareholder or an independent non-executive director of Guotai Junan International, or any of their respective associates in the 12-month period as of the date of grant (i) representing in aggregate shall not exceed 0.1% of the total number of shares of Guotai Junan International in issue; and (ii) having an aggregate value, based on the closing price of the shares of Guotai Junan International as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the date of each grant, shall not in excess of HK\$5,000,000. Any further grant of share options in excess of the above limits is subject to shareholders’ approval in general meeting of Guotai Junan International.

Section IV Corporate Governance

The exercise period of share option granted under the Share Option Scheme of Guotai Junan International is determined by the board of Guotai Junan International at its absolute discretion and shall expire no later than the 10th anniversary of date on which the share option is granted.

There is neither any minimum period for which a share option must be held, nor any performance target which required to be achieved before the share option can be exercised unless otherwise determined by the board of Guotai Junan International and specified at the time of the offer.

The consideration of HK\$1 for the acceptance of the grant shall be remitted in favour of Guotai Junan International within 28 days from the date of offer or other period as may be determined by the board of Guotai Junan International.

The exercise price of share options is determined by the board of Guotai Junan International in its absolute discretion, and shall be at least the higher of (i) the closing price of the shares of Guotai Junan International as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange on the date of offer; and (ii) the average closing price of the shares of Guotai Junan International as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange for the five consecutive days on which shares are traded on the Hong Kong Stock Exchange immediately preceding the date of offer.

The total number of shares of Guotai Junan International (“Shares of Guotai Junan International”) that may be issued upon exercise of all share options granted and to be granted must not in aggregate exceed 10% of the shares issued by Guotai Junan International at the date of adoption of the Share Option Scheme of Guotai Junan International (i.e. 164,000,000 Shares). As at the date of this annual report, the total number of Shares of Guotai Junan International available for issue in respect of the share options which had been granted and were outstanding under the Share Option Scheme of Guotai Junan International was 48,362,131 shares, representing approximately 0.50% of the shares in issue.

Section IV Corporate Governance

Movements of the share options under the Share Option Scheme of Guotai Junan International for the year ended 31 December 2021 are set out as follows:

Name of participants	Number of share options						At 31 December 2021	Exercise price (HK\$)	Date of grant (Note 2)	Exercise period (Note 2)
	At 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Reclassified during the year (Note 3)				
Directors										
YIM Fung	800,000	—	—	—	—	—	800,000	2.440	13/07/2017	13/07/2018–12/07/2027
	500,000	—	—	—	—	—	500,000	1.720	04/07/2018	04/07/2019–03/07/2028
	1,000,000	—	—	—	—	—	1,000,000	1.450	11/09/2019	11/09/2020–10/09/2029
WONG Tung Ching ^(Note 3)	800,000	—	—	—	—	(800,000)	—	2.440	13/07/2017	13/07/2018–12/07/2027
	500,000	—	—	—	—	(500,000)	—	1.720	04/07/2018	04/07/2019–03/07/2028
	1,000,000	—	—	—	—	(1,000,000)	—	1.450	11/09/2019	11/09/2020–10/09/2029
QI Haiying	800,000	—	—	—	—	—	800,000	2.440	13/07/2017	13/07/2018–12/07/2027
	500,000	—	—	—	—	—	500,000	1.720	04/07/2018	04/07/2019–03/07/2028
	1,000,000	—	—	—	—	—	1,000,000	1.450	11/09/2019	11/09/2020–10/09/2029
LI Guangjie ^(Note 3)	800,000	—	—	—	—	(800,000)	—	2.440	13/07/2017	13/07/2018–12/07/2027
	500,000	—	—	—	—	(500,000)	—	1.720	04/07/2018	04/07/2019–03/07/2028
	1,000,000	—	—	—	—	(1,000,000)	—	1.450	11/09/2019	11/09/2020–10/09/2029
Subtotal	9,200,000	—	—	—	—	(4,600,000)	4,600,000			
Employees (in aggregate)	1,260,480 ^(Note 1)	—	(1,260,192) ^(Note 4)	—	(288)	—	—	0.827 ^(Note 1)	24/04/2012	10/06/2012–09/06/2021
	26,682,237 ^(Note 1)	—	(505,871) ^(Note 4)	—	(5,414,235)	—	20,762,131	1.264 ^(Note 1)	10/01/2014	10/01/2015–09/01/2024
	6,200,000	—	—	—	(2,100,000)	1,600,000	5,700,000	2.440	13/07/2017	13/07/2018–12/07/2027
	6,900,000	—	—	—	(1,700,000)	1,000,000	6,200,000	1.720	04/07/2018	04/07/2019–03/07/2028
	13,050,000	—	—	—	(2,550,000)	2,000,000	12,500,000	1.450	11/09/2019	11/09/2020–10/09/2029
Subtotal	54,092,717	—	(1,766,063)	—	(11,764,523)	4,600,000	45,162,131			
Total	63,292,717	—	(1,766,063)	—	(11,764,523)	—	49,762,131			

Section IV Corporate Governance

Notes:

1. The number of outstanding share options and the exercise price may be subject to adjustment in case of reorganization of the capital structure of Guotai Junan International. Pursuant to the announcements dated 29 September 2014 and 9 July 2015, Guotai Junan International adjusted respectively the number of outstanding share options and the exercise price with reference to the terms of the Share Option Scheme of Guotai Junan International and the supplementary guidance attached to the letter of the Stock Exchange relating to the Share Option Scheme of Guotai Junan International dated 5 September 2005.
2. In respect of the share options granted on 24 April 2012, one-third of the share options has been vested evenly on 10 June 2012, 10 June 2013 and 10 June 2014 and exercisable until 9 June 2021.

In respect of the share options granted on 10 January 2014, one-third of the share options has been vested evenly on 10 January 2015, 10 January 2016 and 10 January 2017 and exercisable until 9 January 2024.

In respect of the share options granted on 13 July 2017, one-third of the share options has been vested evenly on 13 July 2018, 13 July 2019 and 13 July 2020 and exercisable until 12 July 2027.

In respect of the share options granted on 4 July 2018, one-third of the share options has been vested evenly on 4 July 2019, 4 July 2020 and 4 July 2021 and exercisable until 3 July 2028.

In respect of the share options granted on 11 September 2019, one-third of the share options shall be vested evenly on 11 September 2020, 11 September 2021 and 11 September 2022 and exercisable until 10 September 2029.
3. The share options held by the executive director were reclassified as held by the employees following his resignation.
4. The weighted average closing price of the shares of Guotai Junan International on the day immediately before the date on which the share options were exercised during the Reporting Period was HK\$1.23 per share.

3. THE ESTABLISHMENT AND IMPLEMENTATION OF APPRAISAL AND INCENTIVES SYSTEM TO THE SENIOR MANAGEMENT MEMBERS DURING THE REPORTING PERIOD

Applicable Not applicable

The Company formulated the Interim Measures for Engagement, Evaluation and Remuneration, Assessment and Compensation Management of Senior Management (《高級管理人員聘任、考核及薪酬管理暫行辦法》) and the Implementing Rules of Interim Measures for Appointment, Assessment and Compensation Management of Senior Management (《高級管理人員聘任、考核及薪酬管理暫行辦法實施細則》). After the end of each accounting year, the Board shall conduct annual evaluation of the performance of the senior management and determine the remuneration and incentive.

During the Reporting Period, the Company continued to promote the Remuneration System Reform for Professional Managers and further deepened the remuneration system reform for professional managers, thereby it closely links professional managers' performance-related annual salary with the Company's performance and individual performance appraisal results so as to guarantee the marketization of executive compensation incentive system and effectively improve the overall competitiveness of the Company.

During the Reporting Period, the Company granted reserved shares to newly appointed professional managers under the Restricted Share Incentive Scheme of A Shares, set unlocking conditions with high standards and strict requirements, and closely linked the medium and long term incentive of professional managers with the Company's strategy and shareholder returns, to promote the high-quality development of the Company.

Section IV Corporate Governance

XII. CONSTRUCTION AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

Applicable Not applicable

Since its incorporation, the Company attached importance to the internal control mechanisms, the establishment of internal control system and established and improved the standardized governance structure for legal entity, forming a scientific decision-making, execution and supervision mechanism. According to the requirements of laws, regulations and documents of administrative norms such as the Company Law of the PRC, the Securities Law of the PRC, the Governance Standards for Securities Companies, the Basic Rules for Internal Control of Corporates and its guidelines, and also the actual condition of the Company, the Company formulated a comprehensive internal control system considering factors such as internal environment, risk assessment, control activities, information and communication and internal monitoring, to provide a reasonable protection for the compliance of operation management, asset security and the truth and completeness of financial report and related information.

In 2021, the Company continued to improve the construction of internal control system, optimize the organizational structure and supporting operation and management mechanism; revised the Measures on Comprehensive Risk Management of the Company and the New Business Compliance and Risk Management Measures to consolidate the comprehensive risk management system; formulated the risk management and control plan of the Company's key businesses and major projects of subsidiaries, highlighting the specialization of audit work, improving compliance risk management and control in key areas; sorted out and optimized the list of front-line compliance and risk control responsibilities, and strengthened the three lines of defense; optimized the classification and grading review mechanism to form a relatively complete accountability system of the Company; improved the risk management and control mechanism of investment banking business, and strengthened the investigation of risks in the life of investment banking business; improved the management level by digital means, so that the internal control system of the Company operated well in general. The Company conducted self-assessment on the effectiveness of internal control as at 31 December 2021. Please refer to the 2021 Internal Control Assessment Report of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司2021年度內部控制評價報告》) disclosed at the website of SSE by the Company for details.

Matters relating to material defects on internal control during the Reporting Period

Applicable Not applicable

Section IV Corporate Governance

XIII. MANAGEMENT AND CONTROL OF SUBSIDIARIES DURING THE REPORTING PERIOD

Applicable Not applicable

The Company regards “professional management, coordinated development, intensive operation, categorized management, efficient service and effective management and control (專業經營、協同發展、集約運營、分類管理、高效服務、有效管控)” as the basic objectives and principles of management of the subsidiaries, and has established a sound and comprehensive management system of subsidiaries. A series of special systems, such as the “Subsidiary Management Measures (《子公司管理辦法》)”, “Subsidiary Compliance and Risk Management Measures (《子公司合規與風險管理辦法》)” and the “Subsidiary Financial Management Measures (《子公司財務管理辦法》)”, which systematically improve the management and control of subsidiaries from comprehensive management, vertical management, intensive management and control, and unified management on a multi-dimension basis. In addition, in 2021, on the basis of accomplishing shareholding structure rectification of overseas subsidiaries as required by the regulatory requirements, the provisions of the “Measures for the Administration of the Formation, Acquisition and Shareholding of Overseas Business Institutions by Securities Companies and Securities Investment Fund Management Companies” of the CSRC were fully incorporated in the daily management routines and the relevant provisions were incorporated in the articles of association of overseas subsidiaries. At the same time, the Company is promoting comprehensive digital transformation of the Group, and will effectively strengthen the management and control of subsidiaries through digital means to promote business development of subsidiaries.

XIV. MATTERS RELATING TO THE AUDIT REPORT ON INTERNAL CONTROL

Applicable Not applicable

The Company has appointed KPMG Huazhen LLP as the internal control auditor. KPMG Huazhen LLP has issued the Internal Control Audit Report of 2021 Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司2021年度內部控制審計報告》), and considered that the Company has maintained an effective financial reporting internal control in all material aspects according to the Basic Norms for Enterprise Internal Control (《企業內部控制基本規範》) and relevant regulations on 31 December 2021, which is consistent with the self-assessment conclusion of internal control of the Company. Please refer to the Internal Control Audit Report of 2021 Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司2021年度內部控制審計報告》) disclosed at the website of SSE (<http://www.sse.com.cn/>) by the Company for details of internal control audit report.

Whether to disclose internal control audit report: Yes

Type of opinion in the internal control audit report: Standard unqualified opinion

Section IV Corporate Governance

XV. RECTIFICATION OF NON-COMPLIANCE MATTERS IDENTIFIED THROUGH SELF-EXAMINATION AND IN SPECIAL ACTIONS ON GOVERNANCE OF LISTED COMPANIES

In 2021, the Company conducted a self-examination on its corporate governance in accordance with the requirements of the “Notice of the China Securities Regulatory Commission on Launching Special Actions on Governance of Listed Companies (《中國證監會關於開展上市公司治理專項行動的通知》)”. After such self-examination, except for the re-election of the Board and the Supervisory Committee, which has not been completed in time, the Company is in compliance with the requirements of laws, regulations and regulatory requirements in all other aspects.

On 24 June 2021, employee supervisors of the sixth session of the Supervisory Committee were elected at the fourth session of the twelfth employee representative meeting; on 28 June 2021, the Company’s 2020 annual general meeting reviewed and approved the “Resolution on Election of Non-independent Directors of the Sixth Session of the Board of the Company (《關於選舉公司第六屆董事會非獨立董事的議案》)”, the “Resolution on Election of Independent Directors of the Sixth Session of the Board the Company (《關於選舉公司第六屆董事會獨立董事的議案》)” and the “Resolution on Election of Non-employee Supervisors of the Sixth Session of the Supervisory Committee of the Company (《關於選舉公司第六屆監事會非職工監事的議案》)”, pursuant to which non-independent directors and independent directors of the sixth session of the Board and non-employee supervisors of the sixth session of the Supervisory Committee were elected; the sixth session of the Board and the sixth session of the Supervisory Committee of the Company were established, and the re-election of the Board and the Supervisory Committee was completed.

XVI. DEVELOPMENT OF COMPLIANCE MANAGEMENT SYSTEM, AND THE INSPECTION AND AUDIT COMPLETED BY THE COMPLIANCE DEPARTMENT AND THE AUDIT DEPARTMENT DURING THE REPORTING PERIOD

(I) Development of compliance management system

The Company has established and perfected a four-level compliance management organization system consisting of the Board (including the Risk Control Committee) and the Supervisory Committee, the Chief Compliance Officer, the legal compliance department and first-line compliance risk control personnel by appointing chief compliance officer, establishing the legal compliance department, and building first-line compliance risk control team. The Company’s Chief Compliance Officer, as the person in charge of all the Company’s compliance, is a senior manager of the Company, responsible for the legal compliance department, the internal audit risk management department, and the group audit center. The Chief Compliance Officer organizes and coordinates each internal control department and relevant management departments, jointly perform various internal control responsibilities including compliance management. The Company’s headquarters are equipped with full-time compliance management staff, and has set first-line compliance risk control personnel at each department and branch of the Company’s headquarters, who are responsible for the compliance check, training, advisory, audit, supervision, and communication of each unit, etc.

Section IV Corporate Governance

In 2021, the legal compliance department of the Company continued to strengthen the construction of rules and regulations, actively promoted the implementation of the “Securities Law (《證券法》)” and other new regulatory regulations and formulated and revised a number of compliance management systems. The Company strengthened legal compliance support for innovative businesses, optimized the review mechanism, continuously tracked and evaluated innovative businesses that have been implemented, strengthened the construction of a group compliance management system, improved the management mechanism, urged and guided subsidiaries to improve their compliance management systems, continuously improved the application of financial technology in compliance management, continuously constructed the legal compliance platform, promoted the implementation of money laundering risk management resulting in no administrative penalties for anti-money laundering imposed by the People’s Bank of China on the Company’s headquarters and branches, strengthened the construction of compliance culture, carried out publicity and training in multiple ways and promoted the construction of a clean culture. The daily work of various compliance management was carried out in a stable and orderly manner.

(II) Compliance inspections

In 2021, insisting to be problem-oriented and risk-oriented and focusing on key links or developments of various business, the Company has conducted a total of 34 compliance inspections, organized several key special self-inspections and self-rectifications, proposed rectification suggestions and strictly procured rectification of the problems and potential defects identified during such inspections.

(III) Audit work conducted

2021 was the first full year for the group audit center to work with the new organizational structure. Under the centralized and unified management model, the group audit center adhered to the risk-oriented approach, focused on key areas and key processes, broadened the scope and depth of audit, optimized the allocation of audit resources, further improved the audit workflow and operating standards and strengthened the closed loop management of audit rectification, implemented audit work within the Group in a unified and efficient manner. In 2021, the group audit center completed a total of 190 audit projects, including 27 headquarters and subsidiary projects and 163 branch projects, fully covering wealth management business, investment banking business, asset management business, equity investment business, asset custody business, credit business, international business, as well as financial management, compliance management, internal control management, information technology management, outsourcing service management, related transactions, anti-money laundering and other aspects.

Through the above-mentioned audit work, the group audit center inspected and evaluated the soundness and effectiveness of the internal control of the audited units, revealed the main risks and urged rectification and effectively played a role in supervision and guarantee to promote the steady and healthy development of the Company.

Section IV Corporate Governance

XVII. OTHERS

Applicable Not applicable

(I) Rights of Shareholders

The general meeting is the supreme authority of the Company. The Shareholders exercise their rights through the general meeting. The Company convenes and holds the general meetings in strict compliance with the relevant requirements to ensure that all Shareholders, especially minority Shareholders, can enjoy equal positions and fully exercise their rights. The Company maintains a healthy and steady development in an orderly way under the restraints of the Articles of Association, the interests of the Company and its Shareholders are effectively protected.

Pursuant to Article 76 of the Articles of Association and Article 12 of the Rules of Procedure for General Meetings of the Company, the Shareholders individually or jointly holding more than 10% of the Shares are entitled to request the Board in writing to convene an extraordinary general meeting. The Board shall give a written response on whether or not it agrees to call such an extraordinary general meeting within 10 days after receipt of such request according to laws, administrative rules, listing rules of the listing place of the Company's shares and the Articles of Association. If the Board agrees to hold an extraordinary general meeting, it shall issue a notice calling such meeting within 5 days after it has so resolved. The consent of the relevant Shareholders shall be obtained if any change is to be made in the notice to the original request. If the Board disagrees with the holding of an extraordinary general meeting or fails to give a response within 10 days after receipt of such request, Shareholders individually or jointly holding 10% or more of the shares of the Company are entitled to propose in writing for the Supervisory Committee to hold an extraordinary general meeting. If the Supervisory Committee agrees to the holding of an extraordinary general meeting, it shall issue a notice calling such meeting within 5 days after receipt of such request. The consent of the relevant Shareholders shall be obtained if any change is to be made in the notice to the original request. If the Supervisory Committee fails to issue a notice calling such meeting within the prescribed period, the Supervisory Committee shall be deemed not to convene and chair such meeting. Shareholders individually or jointly holding 10% or more of the shares of the Company for ninety (90) consecutive days (the "Convening Shareholders") shall then be entitled to convene and chair such meeting on their own.

In addition, pursuant to Article 79 of the Articles of Association, when a general meeting is convened by the Company, the Board, the Supervisory Committee or Shareholders individually or jointly holding 3% or more of the shares of the Company shall be entitled to raise proposals to the Company. Shareholders individually or jointly holding 3% or more of the shares of the Company may submit ad hoc proposed resolutions in writing to the convener of the general meeting 10 days before the convening of the general meeting. The convener shall issue a supplemental notice of the general meeting within 2 days upon receipt of the proposals and announce the contents thereof. Otherwise, the convener, after issuing the notice and announcement of the general meeting, shall neither revise the proposals stated in the notice of general meetings nor add new proposals.

Section IV Corporate Governance

(II) Amendments to the Articles of Association

The Company held the 2021 first extraordinary general meeting on 25 November 2021, at which the Resolution on Proposing to Consider the Amendments to the Articles of Association 《(關於提請審議修訂公司章程的議案)》 was reviewed and approved. The amendments to the Articles of Association shall take effect from 25 November 2021. Please refer to the announcement of the Company dated 24 August 2021 and the circular dated 5 November 2021 for specific amendments.

(III) Investor relations

The Company attaches great importance to the management of investor relations, and has formulated a series of thorough rules and regulations such as the Administrative System Regarding Investor Relations 《(投資者關係管理制度)》. The Company has set up an investor relations management platform with various communication channels such as on-site, telephone and Internet and various communication methods such as performance explanation sessions, road shows, reception of investors for survey and research, company website, investor hotline and e-mails, and through actively participating in e-interactive platform of the Shanghai Stock Exchange, participating in collective reception activities for investors, and attending investment strategies meetings or investment forums of seller institutions, and actively enhancing the interactive communication with investors, and thus increases the Company's transparency and ensures that investors could have timely, accurate and comprehensive understanding of the Company. Shareholders may make enquiries through emails, hotlines or directly send their letters to the Company's office address. The Company will properly and timely handle all enquiries.

In 2021, the Company conducted two online briefings on the results for the purpose of online communication and answering questions from investors; held two result announcement analyst conference calls and one investor open day event, involving a total of 216 analysts and investors from domestic and foreign institutions; conducted 17 reverse roadshows, visited shareholders and institutional investors 24 times; received seven institution investigations, involving a total of 62 individuals; participated in 21 sell-side institutional strategy meetings involving a total of 168 individuals; answered 987 investor hotlines, replied on SSE e-interview 161 times.

Section IV Corporate Governance

(IV) Compliance of securities transactions code by Directors, Supervisors and relevant employees

The Company has established and amended the Measures for the Administration of the Holding and Changes in the Holding of the Shares by the Directors, Supervisors and Senior Management (《董事、監事和高級管理人員持有本公司股份及其變動管理辦法》) (the “Administration Measures”), to regulate the holding and dealing of the Shares by the Directors, Supervisors and senior management of the Company, which was effective from the date when the listing of the H Shares on the Hong Kong Stock Exchange, i.e. 11 April 2017. Compared with the compulsory management requirements in the Model Code, the Administration Measures have adopted the standards in the Model Code as the standards of conduct for securities transactions by Directors, supervisors and relevant employees of the Company, and the requirements are stricter. After making enquiries, all Directors, Supervisors and senior management of the Company have confirmed that they had been in strict compliance with the Administration Measures and the Model Code throughout the Reporting Period.

(V) Directors’ and auditors’ responsibility for the accounts

The Board acknowledges its responsibility for preparing the report of the Group for the year ended 31 December 2021.

The Board is responsible for presenting a clear and specific assessment of the annual and interim reports, price sensitive information and other disclosures required under the Hong Kong Listing Rules and other regulatory requirements. The management has provided relevant explanation and information to the Board as necessary to enable the Board to make an informed assessment and approval, as appropriate, of the financial information and status of the Group.

There are no material contingent events or conditions that may have a material impact on the Company’s ability to keep its operation continuously. In addition, the Company has arranged appropriate insurance cover in respect of potential legal actions and liabilities against the Directors, Supervisors and senior management.

(VI) Duty of the management

The management of the Company is engaged by the Board and is accountable to the Board. The management is mainly responsible for decision-making of the Board, daily operation management of the Company, the selection, hiring and management of internal staff and determination of staff remuneration. According to the Articles of Association, the duties of the Chief Executive Officer include directing the production and operation management of the Company, organizing to implement the resolution of the Board, and reporting to the Board; implementing the annual plan and investment plan; drafting the establishment plan of the internal management division; drafting the basic management system of the Company, formulating the specific rules of the Company, proposing the engagement or the dismissal of Vice President, Chief Financial Officer and other senior management personnel (other than secretary to the Board, Chief Risk Officer and Chief Compliance Officer); determining the engagement or dismissal of responsible management personnel other than those who should be engaged or dismissed by the Board; implementing the requirements of the Board’s cultural construction work and carrying out the Company’s cultural construction work; other duties authorized by the Articles of Association or the Board.

Section IV Corporate Governance

(VII) Company secretary

Joint company secretaries of the Company are Mr. YU Jian and Ms. KWONG Yin Ping Yvonne. Mr. YU Jian also acts as an Executive Director, the secretary to the Board and primary internal contact person of the Company. Ms. KWONG Yin Ping Yvonne is the vice president of SWCS Corporate Services Group (Hong Kong) Limited. During the Reporting Period, Mr. YU Jian has accepted over 15 hours of professional trainings in total, please refer to “VI. Performance of Duties by the Board and Directors” in this section for contents of training.

(VIII) Compliance with relevant laws and regulations

As a public company listed both in Mainland China and Hong Kong, the Company abode, in strict accordance, by domestic and foreign laws, regulations and normative documents including the Company Law, Securities Law, Regulations on Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies, Code of Corporate Governance for Listed Companies in China, the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules and the Articles of Association. The Company established and perfected its rules and regulations to standardize the operation and devoted itself to maintaining and improving its market image. Please see the “IX. Material Litigation and Arbitration” in “Section VI Significant Events” of this annual report for punishment and public condemnation the Company has suffered during the Reporting Period.

(IX) Administration of insider registration

In accordance with the Securities Law (《證券法》), the Regulations on the Registration and Management System of Insiders of Listed Companies’ Inside Information (《關於上市公司內幕消息知情人登記管理制度的規定》) issued by the CSRC and the Guidelines for the Reporting of Insiders of Listed Companies’ Inside Information (《上市公司內幕消息知情人報送指引》) issued by the Shanghai Stock Exchange and other relevant laws and regulations, Guotai Junan has made corresponding amendments to the Registration Management System for Insiders of Inside Information of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司內幕消息知情人登記管理制度》), mainly involving the scope of insiders of inside information, the reporting matters and scope and the reporting time limit. The Company strictly implemented the Registration Management System for Insiders of Inside Information and did a good job in the registration and filing of insiders in accordance with the requirements of such system. There was no abnormal fluctuation of the Company’s stock price due to the leakage of inside information. In accordance with regulatory requirements, the Registration Management System for Insiders of Inside Information regulated the confidentiality and registration of inside information and strengthened the confidentiality of inside information and the management of insiders; the Management System for Information Disclosure (《信息披露事務管理制度》) and the Management System for Investor Relations (《投資者關係管理制度》) maintained the principle of fairness for information disclosure; this mechanism covers all key control processes such as the generation, collection, transmission, review, confidentiality and fair disclosure of inside information and ensures the implementation of various systems by strengthening system training, standardizing work requirements, improving accountability and strengthening awareness of information disclosure.

Section V Environment and Social Responsibility

I. ENVIRONMENTAL INFORMATION

(I) Environmental protection information of the company and its major subsidiaries on the lists of critical pollutant dischargers published by environmental protection authorities

Applicable Not applicable

(II) Environmental protection information of companies not on the list of critical pollutant dischargers

Applicable Not applicable

1. Administrative penalties due to environmental protection issues

Applicable Not applicable

2. Disclosure of other environmental protection information with reference to the list of critical pollutant dischargers

Applicable Not applicable

3. Reasons for not disclosing other environmental protection information

Applicable Not applicable

(III) Relevant information that is conducive to ecological protection, pollution prevention, and fulfilment of environmental responsibilities

Applicable Not applicable

As a large state-owned financial institution, the Company resolutely implements the national strategic deployment and actively contributes to the dual-carbon target and copes with the challenges of climate change. The Company gives full play to its advantage of full securities licenses and continuously improves its level of green and low-carbon financial services capability; strives to achieve its own “peak carbon dioxide emissions and carbon neutrality (碳達峰、碳中和)” as soon as possible, and strives to become the “pioneer (排頭兵)” and “leader (領頭羊)” of green emission reduction in the securities industry and the financial state-owned asset sector; strives to become a corporate citizen model for sustainable high-quality development, and contributes financial strength to serve the construction of Shanghai to be an international carbon financial center and achieves the national strategic goal of “peak carbon dioxide emissions and carbon neutrality”.

Section V Environment and Social Responsibility

1. Improve the top-level design of the Company's dual-carbon action

In May 2021, the Company jointly held the “Green Finance, Low-Carbon Future” forum with Shanghai United Assets and Equity Exchange and Shanghai Environment and Energy Exchange, and published the “Action Plan for Implementing Peak Carbon Dioxide Emissions and Carbon Neutrality of Guotai Junan (《國泰君安踐行碳達峰碳中和行動方案》)” at the forum, which deeply integrated the concept of green and low-carbon development into our thinking and the organization, and put it into action, focused on forging and improving the five key capabilities of “financing, investment, trading, cross border and risk control”, and proposed to implement the eight major action plans of “peak carbon dioxide emissions and carbon neutrality”, so as to fully enhance the corporate governance efficiency, improve the green and low-carbon financial services capability, and strive to achieve its own “peak carbon dioxide emissions and carbon neutrality” as soon as possible.

2. Provide leading integrated carbon financial services

The Company has always actively served and practiced the concept of green and low-carbon development. It spearheaded the establishment of an off-market carbon finance business team in the securities industry in early 2014, and successively completed various businesses such as the first CCER (Chinese Certified Emission Reduction) development transaction by a securities company and the first carbon allowance forward transaction in Shanghai, with transaction scale ranked top in many pilot regions.

In order to give full play to the Company's first-mover advantages and core transaction pricing capabilities in the field of carbon finance sector, implement the “Action Plan for Implementing Peak Carbon Dioxide Emissions and Carbon Neutrality of Guotai Junan” and build a comprehensive and leading integrated carbon financial service system in the securities industry, in 2021, the FICC carbon finance business of the Company continued to develop, with an annual trading volume of approximately 23 million tons and a trading amount of approximately RMB800 million, representing a significant year-on-year increase. The service targets of carbon finance business include enterprises in the industries of paper making, electricity, chemical engineering, steel, transportation, finance, public utilities and other industries. In 2021, the Company issued the first beneficiary certificate linked to carbon emission quota in the securities industry, of which linked subject was carbon emission quota of Guangdong Province, giving full play to the service and guiding role of a financial institution in supporting the “dual-carbon” target and enhancing the financial attribute of the carbon market.

Section V Environment and Social Responsibility

3. Provide full-chain green investment and financing services

In terms of green investment, the Company has stepped up efforts to issue ESG and neutrality theme products and expanded the investment layout of green industries. In terms of green financing, on the one hand, the Company is deeply engaged in green and low-carbon industries, providing full-cycle and full-chain green investment and financing services, and on the other hand, it serves the financing and M&A needs of the exit and transformation of backward high-carbon industries. Since 2016, the Company has completed domestic and overseas green equity and debt financing of over RMB300 billion, creating many first cases in the industry to serve green finance and ranking among the first 12 securities companies in the world to be shortlisted for Moody's ESG rating standards (and the three Chinese-funded securities companies).

In 2021, the Company underwrote a total of 53 green bonds with a total issuance scale of over RMB55 billion (excluding local government bonds), of which 22 carbon neutrality bonds were underwritten with a total issuance scale of over RMB16 billion. Key projects in 2021 include assisting the issuance of the first batch of carbon neutrality corporate bonds on the Shenzhen Stock Exchange (21 ZHUHUA G1), the first carbon neutrality green technology innovation bond in China (21 Jiang Technology GK), the first carbon neutrality REITs project, the first carbon neutrality ABS product under the financial leasing category in China (Ronghe Guojun 2021-1 (融和國君2021-1)) and the first carbon neutrality short-term corporate bond in China (GC Jiangxi Expressway S1), making positive contributions to peak carbon dioxide emissions and carbon neutrality.

4. Strengthen green and low-carbon management

The Company actively promoted the policy of “intensification, cost reduction, quality improvement and efficiency enhancement”, and reduced operating costs and improved intensification capabilities and management efficiency to implement high-standard energy-saving requirements consistently and reduce greenhouse gas emissions through establishing a centralized procurement platform, cleaning up idle resources and strengthening the construction of centralized data.

The Company's quantitative target for energy consumption in Shanghai is to control the increase in total energy consumption within 10% in 2021, and reduce the energy consumption per unit floor area by 3% as compared to last year. In 2021, the total energy consumption amounted to 11,913.84 tonnes of standard coal, representing a year-on-year increase of 8.45%, which was lower than the average increase of 13% in previous years. Based on the 6.8% increase in floor area in 2021, the energy consumption intensity per unit has decreased by 1.5%.

Section V Environment and Social Responsibility

(IV) Measures taken to reduce carbon emissions during the Reporting Period and the relevant effectiveness

Applicable Not applicable

The headquarter, branches, sales offices and subsidiaries of the Company actively implement the philosophy of “intensification, cost reduction, quality improvement and efficiency enhancement”, and actively implement energy saving and emission reduction through the application of digital management system and the establishment of a good green office culture, so as to reduce the impact on the environment in the process of operating as a financial institution. During the Reporting Period, the headquarter, branches, sales offices and subsidiaries of the Company adopted the above green and low-carbon measures, saving approximately 214,700 sheets of paper, approximately 108,500 kWh of electricity and approximately 803 tons of water resource.

1. Reduce use of paper

The Company promotes the implementation of electronic seals, online approval and attendance procedures and electronic file management measures; implements corporate WeChat online meetings and digitizes meeting materials; uses double-sided printing, prints in a reduced format and reuses waste paper for page printing as much as possible.

2. Save electricity

The Company encourages employees to turn off unnecessary electrical equipment during non-working hours, and turns off all non-essential electrical switches; replaces energy-saving lamps in the office to reduce electricity usage in an all-round way.

3. Carry out waste management

The Company advocates garbage classification and unified recycling and classification of hazardous waste; employees bring their own tableware for meals, which has reduced the use of disposable meal boxes and the amount of kitchen waste.

4. Promote the construction of green data centers

The Company is fully promoting the cloudification process for its data center after the old servers are offline. In 2021, the cloudification ratio has increased to 78.87%, which has realized flexible scheduling of IT resources and reduced energy consumption; the Company has replaced the old precision air conditioner and cooling tower equipment in the test room, which has greatly improved the cooling efficiency of the machine room; in daily operation and maintenance, the Company has dynamically adjusted energy-saving optimization through various means. In 2021, its data center has saved approximately 54,000kWh of electricity.

Section V Environment and Social Responsibility

II. FULFILLMENT OF SOCIAL RESPONSIBILITIES

Applicable Not applicable

Details on the fulfillment of social responsibilities is available in the Environmental, Social and Governance Report 2021 of Guotai Junan Securities Co., Ltd. 《(國泰君安証券股份有限公司2021年度環境、社會及管治報告)》 disclosed in the website of the HKEX (<http://www.hkex.com.hk>) for details.

III. CONSOLIDATING AND EXPANDING POVERTY ALLEVIATION ACHIEVEMENTS, RURAL REVITALIZATION AND OTHER SPECIFIC WORK

Applicable Not applicable

(I) Consolidating poverty alleviation achievements and commitment to rural revitalization strategy

Getting rid of poverty is not the end, but the starting point of a new life and new struggle. It is necessary to continue to promote the effective connection between comprehensive poverty alleviation and rural revitalization, facilitate the smooth transformation of poverty reduction strategy and work system and integrate them into the rural revitalization strategy in order to establish a short-term and long-term and thorough system and mechanism.

The Company continued to diligently implement the government's deployment and arrangement for paired support. By upholding the concept of "Serving the Country with Financial Services (金融報國)" and under the direction of "Connecting Poverty Alleviation with Rural Revitalization (脫貧攻堅向鄉村振興銜接)", the Company carried out targeted industrial support and education support and explored the innovation of "Financial Empowerment for Public Welfare (金融賦能公益)" based on the local needs in Puge County, Sichuan, Qianshan County, Anhui, Ji'an County, Jiangxi, Malipo County and Guangnan County, Yunnan and other places in order to facilitate the high-quality development of support projects.

Section V Environment and Social Responsibility

(II) Overview of consolidating poverty alleviation achievements during the Reporting Period

The Company continued to support three original counties of “One Company for One County in respect of Targeted Poverty Alleviation (一司一縣，精準扶貧)” including Ji’an County, Jiangxi, Qianshan County, Anhui and Puge County, Sichuan by assisting the local governments in the transition of “Effectively Connecting Poverty Alleviation with Rural Revitalization (脫貧攻堅向鄉村振興有序銜接)” on the basis of consolidating poverty alleviation achievements, continued to implement the “Urban-and-Rural Comprehensive Support (城鄉綜合幫扶)” in Fengxian District of Shanghai and actively promoted the State-owned Assets Supervision and Administration Commission and “Hundred Enterprises for Hundred Villages (百村百企)” in Jing’an District to provide supports to three villages in Malipo County in Yunnan Province and nine villages in Guangnan County in Yunnan Province and other various rural revitalization work.

- 1. Industrial support:** The Company has made an investment of RMB10 million in the agricultural industry poverty alleviation project in Puge, Sichuan to support the development of local small and micro enterprises; an investment of RMB5 million in urban and rural comprehensive support in Fengxian District, Shanghai for the “Enriching People in One Hundred Villages (百村富民)” project to help farmers with poor living conditions improve their quality of life; paired with Malipo County, Wenshan Prefecture, Yunnan Province to carry out the “carbon neutral” green finance pilot work; and supported Xiaohaizi Village, Guangnan County, Yunnan Province in the construction of a “Beautiful Village (美麗鄉村)” and participated in the construction of a demonstration village for local rural revitalization with an investment of RMB1.35 million.
- 2. Educational support:** At the beginning of 2021, the Company organized an internal fundraising event themed “Warming Others’ Hearts with One Day’s Salary (一日薪，暖人心)”, at which our employees actively participated in donating more than RMB2.54 million. The funds raised are to be used to implement the “Nutritious Lunch Program (營養午餐計劃)” in five Hope Primary Schools, providing free milk, eggs and snacks for teachers and students to improve the nutritional conditions of teachers and students. As of today, the primary school and ancillary kindergarten of Guotai Junan Tianzhushan Town Central School located in Qianshan City of Anhui Province and built with the aid of the Company have commenced operation. After the completion of the construction of the whole school, it will cover an area of 50 mu with a gross floor area of approximately 20,000 square meters, which can accommodate more than 1,400 students. It will become a local compulsory education school with the newest facilities and the strongest teachers. The Company continued to do a good job of poverty alleviation and student assistance in the four Guotai Junan Hope Primary Schools and the projects of each branch to subsidize local poor college students.

Section V Environment and Social Responsibility

- 3. Charity support:** In June 2021, the “Guotai Junan Worry-free Growth (國泰君安成長無憂)” medical supplementary insurance public welfare project (Phase II) was officially insured, and will continue to invest RMB6 million in premiums to insure teachers and students in the three counties for three years. As the project was well received, the Company cooperated with the caring team of China Executive Leadership Academy Pudong in this year to include more than 1,200 children sponsored by the caring teams in Xinjiang, Sichuan, Guizhou and other places into the “Worry-free Growth” public welfare medical supplementary insurance project.
- 4. Emergency disaster relief:** In July 2021, the Company donated RMB500,000 worth of relief materials to Henan Province for various emergency rescue, resettlement of disaster victims and post-disaster reconstruction projects. In October 2021, Xi County, Shanxi Province encountered extreme heavy rainfall. In response to the call of the CSRC and the Securities Association of China, the Company immediately donated RMB1 million to the government of Xixian County, Shanxi Province for post-disaster reconstruction and consolidation of poverty alleviation achievements, helping rural revitalization.
- 5. Consumption support:** By contacting the suppliers of high-quality agricultural products in underdeveloped areas, the Company’s labor union has repeatedly purchased high-quality agricultural products from Malipo County and Guangan County in Yunnan Province, with a purchase amount of more than RMB6 million.
- 6. Innovative public welfare financial project:** In 2021, the fixed-income foreign exchange commodity department of the Company signed the Emission Reduction Purchase and Trading Agreement (《減排量購買和交易協議》) with Malipo County, Yunnan Province, delineating 171,200 mu of forest land for carbon sink trading, which can generate a revenue of more than RMB300,000 for Malipo County each year.

Section V Environment and Social Responsibility

(III) Consolidating poverty alleviation achievements and effectiveness

Unit: ten thousand yuan Currency: RMB

Indicators	Number and implementation information of the Company
I. Overview	
Including: 1. Fund	3,041.94
II. Itemized input	
1. Poverty alleviation through industrial development	<input checked="" type="checkbox"/> Poverty alleviation through agriculture and forestry <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through E-commerce <input type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Poverty alleviation through science and technology
Including: 1.1 Type of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects	3
1.3 Amount of investment in industrial poverty alleviation projects	1,185
2. Poverty alleviation through education	
Including: 2.1 Amount of investment in subsidizing students with financial difficulties	261.74
2.2 Number of students receiving allowance	3,654
2.3 Amount of investment in improving educational resources in poverty-stricken areas	1,221.88
3. Poverty alleviation through healthcare	
Including: 3.1 Amount of investment in medical and health resources in poverty-stricken areas	224.5
4. Protection for the most disadvantaged people	
Including: 4.1 Amount invested in helping the “three left-behind” groups	5.25
4.2 Number of people of the “three left-behind” groups helped	60
5. Social poverty alleviation	
5.1 Amount of investment in targeted poverty alleviation work	100
6. Other projects	
Including: 6.1. Number of projects	3
6.2. Amount of investment	43.57

III. Awards (nature and level)

In December 2021, Guotai Junan’s education support case won the “2021 Rural Revitalization Excellent Case (2021年鄉村振興優秀案例)” award at the 2021 China ESG Forum hosted by Finance.china.com.cn (中國網財經).

Section V Environment and Social Responsibility

(IV) Staged progress in consolidating poverty alleviation achievements and promoting rural revitalization

With the care and support of the people's government of Puge County, Sichuan, the Puge Guotai Junan Agricultural Industry Fund (普格國泰君安農業產業基金) has been actively implementing the project. At present, the Pennisetum sinense Roxb processing industry project has been implemented and the first batch of seedlings has been planted, and the processing plant is under the process of site selection and construction is scheduled to be commenced in 2022.

As of today, the primary school and ancillary kindergarten of Guotai Junan Tianzhushan Town Central School located in Qianshan City of Anhui Province and built with the aid of the Company have commenced operation, and the high school will be put into use in the fall of 2022. Additionally, a number of public welfare projects such as "Junrui Love Bookstore (君睿愛心書屋)" in cooperation with Foresight Fund and HuaAn Funds will be implemented in the school.

The Company entered into the second round of paired supports agreement with Malipo County, Yunnan Province with a term of two years in September 2020. Currently, both parties are following up the "carbon neutrality" green finance project, and it is planned that a visit will be paid to the Malipo County to investigate projects related to rural revitalization in the first half of 2022.

The construction of the beautiful village project in Xiaohaizi Village, Guangan County, Yunnan Province has been commenced and is scheduled to be completed in 2022.

Funds raised from the "Warming Others' Hearts with One Day's Salary (一日薪·暖人心)" donation project are used for the "Nutritious Lunch (營養午餐)" project in schools in underdeveloped areas, among which nearly RMB1,100,000 has been spent so far, which has effectively improved the nutrition of meals for teachers and students in schools.

The "Shangshan Series Guotai Junan Low-carbon Planting (Malipo, Yunnan) Green Charitable Trust (上善系列國泰君安低碳添植(雲南麻栗坡)綠色慈善信託)" project in cooperation with Shanghai Trust has entered the filing stage after preliminary investigation and project design.

(V) Subsequent plans

In 2022, the Company will conscientiously implement the relevant work arrangements of the central government, Shanghai and the securities industry, take the fulfillment of corporate social responsibility as the main line, practice the concept of "Serving the Country with Financial Services (金融報國)", stick to the principles of focus and cohesion and adhere to the philosophy of "Integration of Family and Nation and Contribution to Public Welfare with Financial Services (家國一體、金融向善)", focus on rural revitalization, comprehensive projects, financial empowerment and self-construction, do a good job in systematic planning, forward thinking and creative execution, find a driving force in rural revitalization, stick to the anchor point in comprehensive projects, strengthen new highlights in financial empowerment of public welfare, gather strength in strengthening the foundation's own construction, gather more caring forces, continue to do a good job in social welfare work and constantly polish the social welfare brand of Guotai Junan.

Section VI Significant Events

I. PERFORMANCE OF UNDERTAKINGS

(I) Undertakings of the Company's de facto controller, Shareholders, related parties, acquirers and the Company and other related parties during the Reporting Period or that continued to be valid during the Reporting Period

√ Applicable □ Not applicable

Backgrounds of undertakings	Types of undertakings	Parties giving undertakings	Contents of undertakings	Term of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed	Next steps if
							Whether reasons for not performing timely, if applicable	undertakings were not performed timely
Undertakings related to initial public offering	Other	Shanghai State-owned Assets Operation Co., Ltd.	Undertakings of avoiding the competition with Guotai Junan in the same industry	From the date of the initial Public offering of the A Shares of Guotai Junan to the date on which it ceases to be the Company's controlling shareholder ^{Note 1}	Yes	Yes	-	-
	Other		Undertakings of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	-	-
	Other	Shanghai International Group Co., Ltd.	Undertakings of avoiding the competition with Guotai Junan in the same industry	From the date of the initial public offering of the A Shares of Guotai Junan to the date on which it ceases to be the Company's de facto controller ^{Note 1}	Yes	Yes	-	-
	Other		Undertakings of avoiding the competition with Guotai Junan in the same industry (Non-Competition Arrangement)	From the listing date of the H Shares of Guotai Junan to the date on which it ceases to be the Guotai Junan's controlling shareholder ^{Note 2}	Yes	Yes	-	-
	Other		Undertakings of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	-	-

Section VI Significant Events

Backgrounds of undertakings	Types of undertakings	Parties giving undertakings	Contents of undertakings	Term of undertakings	Whether there is a performance period	Whether undertakings were performed timely	Detailed	Next steps if undertakings were not performed timely
							reasons for not performing timely, if applicable	
	Other	The Company	Undertakings of repurchasing shares and indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	-	-
	To resolve the competition in the same industry		Undertakings of eliminating the competition with Shanghai Securities and Hajji Securities in the same industry	Within 5 years after the date on which Guotai Junan controlled Shanghai Securities	Yes	Yes	-	-
	Other	Directors, Supervisors and senior management of the Company	Undertakings of indemnifying investors' losses in the case of false disclosure	Permanent	Yes	Yes	-	-

Note 1: The controlling shareholder and the de facto controller as referred to herein are as defined under the SSE Listing Rules.

Note 2: The controlling shareholder as referred to herein is as defined under the Hong Kong Listing Rules.

(II) The Company's explanation on whether the earnings estimate on assets or projects was met and its reasons in the situation that earnings in the Company's assets or projects is estimated when the Reporting Period is still within the earnings estimate period

Met Unmet Not applicable

(III) Completion of performance commitments and the effect on impairment testing of goodwill

Applicable Not applicable

II. APPROPRIATION OF FUNDS FOR NON-OPERATING PURPOSES BY CONTROLLING SHAREHOLDERS OR OTHER RELATED PARTIES DURING THE REPORTING PERIOD

Applicable Not applicable

Section VI Significant Events

III. NON-COMPLIANT GUARANTEES

Applicable Not applicable

IV. EXPLANATIONS OF THE BOARD OF THE COMPANY ON “NON-STANDARD OPINION AUDIT REPORT” OF ACCOUNTING FIRM

Applicable Not applicable

V. ANALYSIS AND EXPLANATION OF THE COMPANY ON CAUSES AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OR CORRECTIONS OF SIGNIFICANT ACCOUNTING ERRORS

(I) Analysis and explanation of the Company on causes and effects of changes in accounting policies and accounting estimates

Applicable Not applicable

(II) Analysis and explanation of the Company on causes and effects of corrections of significant accounting errors

Applicable Not applicable

(III) Communications with former accounting firm

Applicable Not applicable

(IV) Other explanations

Applicable Not applicable

Section VI Significant Events

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: ten thousand yuan Currency: RMB

	Current accounting firm
Name of the domestic accounting firm	KPMG Huazhen LLP
Remuneration of the domestic accounting firm	240
Term of audit services provided by the domestic accounting firm	2
Name of the foreign accounting firm	KPMG
Remuneration of the foreign accounting firm	240
Term of audit services provided by the foreign accounting firm	2

	Name	Remuneration
Accounting firm engaged for internal control audit	KPMG Huazhen LLP	40

Explanations on appointment and dismissal of accounting firms

Applicable Not applicable

Since the service term of Ernst & Young Hua Ming LLP and Ernst & Young, the original auditors of the Company, has expired in accordance with the requirements of the Ministry of Finance of the PRC, the Company held the fifteenth meeting of the fifth session of the Board on 24 March 2020 to consider and approve the Resolution on Proposing to Consider the Appointment of Accounting Firms, pursuant to which, the Company proposed to appoint KPMG Huazhen LLP and KPMG as the external auditors of the Company for 2020, and to appoint KPMG Huazhen LLP as the auditor for the internal control audit of the Company for 2020. Such resolution was considered and approved at the 2019 Annual General Meeting of the Company on 15 June 2020.

On 28 June 2021, as reviewed and approved at the 2020 annual general meeting of the Company, the Company re-appointed KPMG Huazhen LLP as the Company's external auditor for 2021 to be responsible for the statutory audit and internal control audit for 2021 in accordance with China Accounting Standards for Business Enterprises audit and re-appointed KPMG as the external auditor of the Company for 2021 to be responsible for the relevant audit and review in accordance with IFRSs. The total amount of fees paid to the above accounting firms in respect of provision of audit, review and other assurance services to the Group (including subsidiaries) in 2021 is RMB10.29 million.

Explanation on change of accounting firm during the audit period

Applicable Not applicable

Section VI Significant Events

VII. RISK OF DELISTING

(I) Reasons for delisting warning

Applicable Not applicable

(II) Corresponding measures to be taken by the Company

Applicable Not applicable

(III) Circumstances for delisting and reasons thereof

Applicable Not applicable

VIII. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

Applicable Not applicable

IX. MATERIAL LITIGATION AND ARBITRATION

The Company had material litigations and arbitrations during the year The Company had no material litigation and arbitration during the year

X. SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS BY AND PENALTIES IMPOSED ON THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER AS WELL AS RELEVANT RECTIFICATIONS

Applicable Not applicable

1. Administrative regulatory measures were imposed on Jiangsu Nanjing Taiping South Road Securities Branch of the Company by Jiangsu Bureau of the CSRC issuing a warning letter to it

On 23 April 2021, administrative regulatory measures were imposed on Jiangsu Nanjing Taiping South Road Securities Branch of the Company by Jiangsu Bureau of the CSRC issuing a warning letter to it for its failure to provide orientation training to certain brokers, establish effective abnormal transaction supervision, analysis and processing mechanism, fully understand the basic information of customers and update them in a timely manner.

Section VI Significant Events

The Company has adopted the following rectification measures in respect of the above issues: (i) further strengthening the analysis and processing of abnormal transaction monitoring matters; (ii) organizing and conducting compliance inspections of securities branches; (iii) continuously carrying out customer identity information verification and constantly improving basic account information; (iv) continuing to carry out compliance training and risk warning education for practitioners; and (v) conducting compliance accountability in respect of relevant responsible personnel.

2. Administrative regulatory measures were imposed on Xining Shengli Road Securities Branch of the Company by Qinghai Bureau of the CSRC issuing a warning letter to it

On 23 December 2021, administrative regulatory measures were imposed on Xining Shengli Road Securities Branch of the Company by Qinghai Bureau of the CSRC issuing a warning letter to it for the responsible person of the branch concurrently holding the compliance risk control post, the IT and compliance management personnel handling customer account business and incomplete or inaccurate account opening information of some customers.

The Company has adopted the following rectification measures in respect of the above issues: (i) further streamlining the post setting and staffing of the branch, clarifying the responsibilities of each post, and effectively separating and supervising compliance risk control and front-office business; (ii) continuing to strengthen the management of post authorization and conduct regular inspections to avoid the inconsistency of user authorization and job posts; (iii) urging business handling personnel to further improve their sense of responsibility and business meticulousness, strengthen business learning, master the standardized process of centralized operation and carefully verify account opening information of customers to ensure that customer information is true, complete, accurate and effective.

Note: The controlling shareholder and the de facto controller used here have the meanings ascribed to them under the SSE Listing Rules.

XI. THE CREDIT STATUS OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

Applicable Not applicable

During the Reporting Period, there was no failure to implement the effective judgment of a court or failure to meet the repayment schedules of a debt with a relatively large amount by the Company, Shanghai SA (controlling shareholder of the Company) or International Group (de facto controller of the Company).

Note: The controlling shareholder and the de facto controller mentioned above have the meanings ascribed to them under the SSE Listing Rules.

Section VI Significant Events

XII. MATERIAL RELATED PARTY TRANSACTIONS

(I) Related party transactions relating to day-to-day operations

1. Matters disclosed in ad hoc announcements without subsequent progress or change

Applicable Not applicable

2. Matters disclosed in ad hoc announcements with subsequent progress or change

Applicable Not applicable

(1) Continuing connected transactions under the Hong Kong Listing Rules

The Group conducts connected transactions based on the principles of equity, openness and fairness in strict accordance with the Hong Kong Listing Rules, the Policy on Information Disclosure Management and the Policy on Management of Related Party Transactions. The connected transaction agreements are entered into at market prices based on the principles of equality, voluntariness, equivalence and compensation.

The Group conducts continuing connected transactions primarily with International Group and its associates. International Group directly and indirectly holds a total of 33.34% of the equity interest of the Company. Therefore, International Group and its associates are connected persons of the Company under the Hong Kong Listing Rules. In February 2021, the shareholdings in Shanghai Securities of the Company and International Group have decreased from 51% to 24.99% and from 49% to 24.01% before capital increase, and Shanghai Securities has ceased to be an associate of International Group and a connected subsidiary of the Company.

According to the relevant requirements, the Company, in accordance with the nature of its transactions, categorizes them into two categories, namely securities and financial product transactions and financial services based on its analysis of the types and basic contents of its current and future possible continuing connected transactions with International Group and its associates. On 30 December 2019, as approved at the 20th extraordinary meeting of the Company's fifth session of the Board, the Company entered into the "Securities and Financial Products, Transactions and Services Framework Agreement for 2020 to 2022" with International Group, agreeing on the contents of the continuing connected transactions for 2020 to 2022 and setting the cap for the annual transaction amount.

During the Reporting Period, the Company's continuing connected transactions were implemented according to relevant framework agreement signed by the Company and International Group and the pricing principles for relevant transactions were strictly followed. The transaction amounts and substance did not exceed the scope of such agreements. The annual caps and the actual transaction amounts for 2021 are set out below:

Section VI Significant Events

Unit: million yuan Currency: RMB

Subject matter	Annual cap for 2021	Actual transaction amount for 2021
Securities and financial products transactions		
Inflow	6,170.00	1,043.80
Outflow	6,138.90	643.44
Financial services		
Income	144.67	6.46
Expenses	62.00	0.28

The auditor of the Company has performed audit procedures on the above-mentioned continuing connected transactions and issued a letter to the Board stating that:

- 1) nothing has come to their attention that may cause them to believe that the continuing connected transactions disclosed have not been approved by the Board of the Company;
- 2) in respect of the continuing connected transactions which involve the products and services by the Company, nothing has come to their attention that may cause them to believe that these transactions are not, in all material respects, in accordance with the pricing policy of the Group;
- 3) nothing has come to their attention that may cause them to believe that these transactions are not entered into, in all material respects, in accordance with the relevant agreements governing these transactions; and
- 4) with respect to the total amounts for such continuing connected transactions, nothing has come to their attention that may cause them to believe the continuing connected transactions disclosed have exceeded the annual transaction caps set by the Company.

Under Chapter 14A of the Hong Kong Listing Rules, certain related party/connected transactions in notes to the financial statements also constitute continuing connected transactions. The Company's disclosure of these related party transactions has been in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

The independent non-executive Directors of the Company have reviewed the above-mentioned continuing connected transactions and confirmed that:

- 1) the above-mentioned continuing connected transactions are conducted in the ordinary course of business of the Company;

Section VI Significant Events

- 2) the above-mentioned continuing connected transactions are entered into on normal commercial terms or better terms; and
- 3) the above-mentioned continuing connected transactions are conducted according to the agreements on terms which were fair and reasonable and in the interests of the Shareholders of the Company as a whole.

(2) *Day-to-day related party transactions under the SSE Listing Rules*

The Company conducts related party transactions in strict compliance with the SSE Listing Rules, the Policy on Information Disclosure Management and the Policy on Management of Related Party Transactions. The Group's related party transactions are conducted based on the principles of equity, openness and fairness, and the related party transactions agreements are entered into at market prices based on the principles of equality, voluntariness, equivalence and compensation.

During the Reporting Period, the Company's day-to-day related party transactions were implemented according to the Resolution Relating to the Estimation of Day-to-day Related Party Transactions of the Company in 2021, which was considered and approved at the 2020 Annual General Meeting of the Company.

The disclosure of related-party transactions set forth in this section is based on the SSE Listing Rules, and may differ from the amount of related party transactions in the notes to the financial statements (prepared according to the Accounting Standards for Business Enterprise).

1) *Major related party transactions relating to day-to-day operations*

- ① Fee and commission income from related parties

Unit: yuan Currency: RMB

Names of related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
HuaAn Funds	Income from lending of trading seats	164,464,267	73,422,486
Shanghai Rural Commercial Bank	Revenue from securities underwriting business	32,816,677	917,075
Shanghai SA	Revenue from securities underwriting business	1,151,887	10,259,670
Shanghai Rural Commercial Bank	Revenue from entrusted asset management business	11,211,883	5,638,798
SPD Bank	Revenue from entrusted asset management business	7,551,288	11,328,305

Section VI Significant Events

② Interest received from related parties

Unit: yuan Currency: RMB

Names of related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
SPD Bank	Interest from deposits in financial institutions	224,892,724	196,198,148

③ Interest paid to related parties

Unit: yuan Currency: RMB

Names of related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
Shanghai Rural Commercial Bank	Interest expense of financial assets sold under repurchase agreements	12,394,140	4,532,921
SPD Bank	Interest expense of placements from other financial institutions	1,892,278	15,010,611
SPD Bank	Interest expense of bonds	3,781,096	18,060,468
Shanghai Sitico Assets Management Co., Ltd.	Interest expense	-	40,985,588
International Group	Interest expense	-	21,190,301

④ Operating expenses and costs paid to related parties

Unit: yuan Currency: RMB

Names of related parties	Contents of related party transactions	Amount for the current period	Amount for the last period
SPD Bank	Service fees for sales of financial products	10,548,287	15,802,562

Section VI Significant Events

2) Balances with related parties

① Balances of deposits with related parties

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	6,238,209,079	9,973,784,935

② Balances of financial assets held under resale agreements

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	-	750,953,324
Shanghai SA	-	748,934,222

③ Balances of the bonds issued by related parties held by the Group

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	1,711,232,449	1,200,515,651
Great Wall Securities Co., Ltd.	411,361,886	623,460,365
Shanghai Pudong Development Bank Financial Leasing Co., Ltd.	204,789,942	-
Bright food (Group) Co., Ltd.	-	351,554,002
China Three Gorges Co., Ltd.	-	318,622,288

Section VI Significant Events

- ④ Balances of the bonds issued by the Company subscribed by related parties

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	1,978,609,992	1,707,165,948
CITIC Trust Co., Ltd.	659,890,287	80,715,397

- ⑤ Balances of financial assets sold under repurchase agreements

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	300,483,288	1,284,676,308

- ⑥ Loans and borrowings with related parties

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
SPD Bank	-	1,313,473,245
Shanghai Sitico Assets Management Co., Ltd.	-	1,054,533,333
International Group	-	495,630,667

- ⑦ Balance of account receivable

Unit: yuan Currency: RMB

Names of related parties	Balances at the end of the period	Balances at the beginning of the period
HuaAn Funds	110,112,626	51,684,635

Section VI Significant Events

3. Matters not disclosed in ad hoc announcements

Applicable Not applicable

(II) Related party transactions relating to asset or share acquisition or disposal

Acquisition of 15% equity interest in HuaAn Funds

On 8 October 2021, the third extraordinary meeting of the sixth session of the Board of the Company considered and approved the Company's acquisition of 15% equity interest in HuaAn Funds held by Shanghai Sitico Assets Management Co., Ltd. by way of non-public agreement transfer. On 27 October 2021, the Company has signed the abovementioned equity transfer agreement, and the transfer price is RMB1.812 billion. International Group directly and indirectly holds 33.34% of the total share capital of the Company, and directly holds 80% equity interest in Shanghai Sitico Assets Management Co., Ltd., and Shanghai Sitico Assets Management Co., Ltd. is therefore an associate of International Group and a connected person of the Company under Chapter 14A of the Listing Rules.

The related party transaction in relation to above acquisition also constitutes a connected transaction of the Company as defined in Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules in respect of such connected transactions.

(III) Significant related party transactions relating to joint external investments

1. Participation in the establishment of Shanghai Kechuang Fund Phase II

On 28 April 2021, the Resolution on Review of the Joint Investment of the Company and Related Parties to Participate in the Establishment of Shanghai Kechuang Fund Phase II was considered and approved at the 20th meeting of the fifth session of the Board of the Company, pursuant to which Guotai Junan Zhengyu, Shanghai Kechuang Center Equity Investment Fund Management Limited, International Group and other third parties jointly established Shanghai Kechuang Center Equity Investment Fund (Phase II) L.P. to make equity investments in technology and innovation companies. The total amount of capital contribution of all the partners to such fund is RMB4,101 million, among which the capital commitment of Guotai Junan Zhengyu (as a limited partner) and Shanghai Kechuang Center Equity Investment Fund Management Limited (as a general partner) is RMB500 million and RMB40 million, respectively, and the capital commitment of International Group (as a limited partner) is RMB2,000 million. As the Company holds 13% equity interest in Shanghai Kechuang Center Equity Investment Fund Management Limited, the total amount of capital contribution of the Group to Shanghai Kechuang Center Equity Investment Fund (Phase II) L.P. is RMB505.2 million. International Group directly and indirectly holds 33.34% of the total share capital of the Company, and directly holds 31.5% equity interest in Shanghai Kechuang Center Equity Investment Fund Management Limited, and each of International Group and Shanghai Kechuang Center Equity Investment Fund Management Limited is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Section VI Significant Events

2. Investment in Sailing Domestic Fund (Phase II)

On 15 September 2021, Guotai Junan Zhengyu, as a limited partner, entered into the Sailing International Private Equity Investment Fund II (Shanghai) Partnership (Limited Partnership) LP Agreement with Sailing Yangfan (Shanghai) Management Consulting Limited, as a general partner, and other independent parties to participate in Sailing International Private Equity Investment Fund II (Shanghai) Partnership (Limited Partnership), as a RMB feeder fund for the purpose of investing indirectly in Sailing Capital Overseas Investment Fund II, LP. The final capital commitment of Guotai Junan Zhengyu is the lower of the 20% of the final total capital commitment of Sailing Capital Overseas Investment Fund II, LP and RMB1 billion. Sailing Yangfan (Shanghai) Management Consulting Limited (as a general partner) will subscribe Sailing International Private Equity Investment Fund II (Shanghai) Partnership (Limited Partnership) with capital contribution not less than RMB1 million. International Group directly holds 36.37% of equity interest in Sailing Capital Management Limited, and Sailing Yangfan (Shanghai) Management Consulting Limited is a wholly-owned subsidiary of Sailing Capital Management Limited. Sailing Yangfan (Shanghai) Management Consulting Limited is therefore an associate of International Group and a connected person of the Company under Chapter 14A of the Listing Rules.

3. Investment in Lingang Fund

On 1 December 2021 and 23 February 2022, the Resolution on Review of the Joint Investment of the Company and Related Parties to Participate in the Establishment of Shanghai Lingang Guotai Junan Technology Frontier Industrial Fund and the Resolution on Review of Adjustment to Part of the Plan for the Establishment of Shanghai Lingang Guotai Junan Technology Frontier Industrial Fund were considered and approved at the fourth and fifth extraordinary meetings of the sixth session of the Board of the Company. On 24 February 2022, Guotai Junan Innovation Investment and Guotai Junan Capital Management Co., Ltd. entered into a LP agreement with International Group and other independent third parties, pursuant to which Guotai Junan Innovation Investment and its subsidiary, Guotai Junan Capital Management Co., Ltd., as a general partner and limited partner contributed RMB1.5 billion and RMB0.5 billion, respectively, and International Group, as a limited partner, contributed RMB1 billion, to participate in the establishment of Shanghai Lingang Guotai Junan Technology Frontier Industrial Private Fund Partnership (Limited Partnership), focusing on investment in industries such as technology, healthcare, intelligent manufacturing and green development.

The abovementioned related party transactions relating to joint external investments also constitute connected transactions of the Company as defined in Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules in respect of such connected transactions.

(IV) Debts due to/from related parties

1. Matters disclosed in ad hoc announcements without subsequent progress or change

Applicable Not applicable

Section VI Significant Events

2. Matters disclosed in ad hoc announcements with subsequent progress or change

Applicable Not applicable

3. Matters not disclosed in ad hoc announcements

Applicable Not applicable

(V) Financial transactions between the Company and its related financial company and between its holding financial company and its related parties

Applicable Not applicable

(VI) Miscellaneous

Applicable Not applicable

Provision of Net Capital Guarantee Commitment to Shanghai Securities

To comply with the regulating requirements and fulfill the needs of business development, on 25 September 2019, the Resolution on Review of Provision of Net Capital Guarantee Commitment to Shanghai Securities Co., Ltd. (《關於提請審議向上海證券有限責任公司提供淨資本擔保承諾的議案》) was considered and approved at the 17th extraordinary meeting of the fifth session of the Board of the Company, pursuant to which net capital guarantee commitment amounting up to RMB1.5 billion was approved to be provided to Shanghai Securities. On 8 February 2021, net capital guarantee commitment provided to Shanghai Securities has been revoked.

XIII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) Custody, contracting and leasing

1. Custody

Applicable Not applicable

2. Contracting

Applicable Not applicable

3. Leasing

Applicable Not applicable

Section VI Significant Events

(II) Guarantees

Applicable Not applicable

Unit: yuan Currency: RMB

External guarantees by the Company (excluding guarantees for subsidiaries)

Total amount of the guarantees during the Reporting Period (excluding guarantees for subsidiaries)	—
Total balance of guarantees at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)	—

Guarantees of the Company and its subsidiaries for subsidiaries

Total amount of the guarantees for subsidiaries during the Reporting Period	5,571,086,660
Total balance of guarantees for subsidiaries at the end of the Reporting Period (B)	8,851,862,488

Total amount of guarantees of the Company (including guarantees for subsidiaries)

Total amount of guarantees (A+B)	8,851,862,488
Total amount of guarantees as a percentage of the net assets of the Company (%)	6.02
Including:	
The amount of guarantees offered to the Shareholders, de facto controller and their related parties (C)	—
The amount of debt guarantees directly or indirectly offered to the guaranteed with a gearing ratio of over 70% (D)	8,851,862,488
The amount of guarantees in excess of 50% of net assets (E)	—
The sum of the three items above (C+D+E)	8,851,862,488

Section VI Significant Events

Total amount of guarantees of the Company (including guarantees for subsidiaries)

Remark on the joint settlement responsibilities in relation to premature guarantees	The principal, interest and other related expenses of the bonds
Remark on the guarantees	<p>On 11 March 2019, Guotai Junan Holdings Limited, a subsidiary of the Company, issued the USD500 million bonds with a term of 3 years and an interest rate of 3.875%. The Company (as the guarantor) entered into a guarantee agreement with Citicorp International Limited (as trustee), to provide unconditional and irrevocable guarantee for the payment obligation under the aforesaid bonds of Guotai Junan Holdings Limited.</p> <p>On 21 April 2021, Guotai Junan Holdings Limited, a subsidiary of the Company, issued the USD500 million medium-term bonds with a term of 5 years and an interest rate of 2%. The Company (as the guarantor) entered into a guarantee agreement with Bank of New York Mellon (as trustee), to provide unconditional and irrevocable guarantee for the payment obligation under the aforesaid bonds of Guotai Junan Holdings Limited</p> <p>On 24 November 2021, Guotai Junan Holdings Limited, a subsidiary of the Company, issued the USD300 million medium-term bonds with a term of 3 years and an interest rate of 1.60%. The Company (as the guarantor) entered into a guarantee agreement, to provide unconditional and irrevocable joint liability guarantee for the payment obligation under the aforesaid notes of Guotai Junan Holdings Limited.</p>

Note: During the Reporting Period, Guotai Junan Financial Holdings and Guotai Junan International, both being an overseas subsidiary of the Company, provided guarantees for their respective wholly-owned subsidiaries in accordance with the transaction practices in international markets, mainly including:

Section VI Significant Events

- I. By virtue of normal business needs, Guotai Junan Financial Holdings provided guarantees in respect of a number of agreements entered into between its wholly-owned subsidiaries and their respective counterparties, including the Framework Agreements for International Swaps and Derivatives Association (ISDA), the Global Master Repurchase Agreement (GMRA) and the Gold Loan Agreement. As at the end of the Reporting Period, the total guarantee balance of actual transactions was equivalent to approximately RMB2.672 billion.
- II. Guotai Junan International provided the following guarantees for its wholly-owned subsidiaries in accordance with the Listing Rules of the Hong Kong Stock Exchange:
 - (1) By virtue of normal business needs, Guotai Junan International provided guarantees in respect of a number of agreements entered into between its wholly-owned subsidiaries and their respective counterparties, including the Framework Agreements for International Swaps and Derivatives Association (ISDA), the Global Master Securities Lending Agreement (GMSLA) and the Global Master Repurchase Agreement (GMRA). As at the end of the Reporting Period, the total guarantee balance of actual transactions was equivalent to approximately RMB5.16 billion;
 - (2) Guotai Junan International provided guarantees for its wholly-owned subsidiaries in respect of the structured notes with a maximum amount of US\$15.0 billion. As at the end of the Reporting Period, the total guarantee balance of the loans actually drawn was equivalent to approximately RMB2.57 billion;
 - (3) Guotai Junan International provided the debt financing guarantees in respect of the bank loans of its wholly-owned subsidiaries. The guarantee limits are HK\$13.5 billion and USD0.262 billion, respectively. As at the end of the Reporting Period, the guarantee balance of the loans actually drawn was equivalent to approximately RMB0.97 billion.

As at the end of the Reporting Period, the percentage of the Company's shareholding in Guotai Junan International was 73.24%.

Section VI Significant Events

(III) Other material contracts

Applicable Not applicable

1. According to the SSE Listing Rules, the Group did not enter into any material contract during the Reporting Period.
2. The updates of material contracts disclosed in the Prospectus in relation to the Initial Public Offering of A Shares during the Reporting Period are as follows:
 - (1) According to a resolution at the 10th extraordinary meeting of the 4th session of the board of Directors, the Company invests in the office building project of Huangpu Riverside (黃浦濱江), and the investment amount is expected to not exceed RMB1.18 billion. On 16 October 2013, the Company signed the Framework Agreement for Transfer of the Fuxing Land (《復興地塊項目轉讓框架協議》) with Shanghai Bund Riverside Development Company Ltd. (上海外灘濱江綜合開發有限公司) (“Bund Riverside”). Pursuant to this agreement, Bund Riverside intends to acquire the land through land auction. The land is located at the Huangpu District, Shanghai City and is used for commercial and office purposes, with a site area of 35,862 m². Bund Riverside will construct six office buildings on the site and transfer one of the buildings (with a gross floor area of approximately 14,000 m²) to the Company. The transfer price covered the land costs, construction costs, respective amortization charges and the project management fees paid to Bund Riverside. On 12 December 2013, Bund Riverside signed the Land Use Rights Grant Contract of State-owned Land with the Planning and Land Administration Bureau of Huangpu District (上海市黃浦區規劃和土地管理局). As of the end of 2021, the Company had paid RMB1,091.34 million.
 - (2) On 18 November 2014, Guoxiang Properties signed the Main Contract on Construction of the Main Body of the New Project of the Office Building of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司辦公樓新建項目主體工程施工總承包合同》) with Shanghai Construction No.1, pursuant to which Shanghai Construction No.1 was responsible for constructing the main body of the new project of the office building of Guotai Junan. The project is located at Lot 49, Jing'an District, Shanghai City, with a total contract value of RMB335.88 million and the settlement amount of RMB363.98 million. As of the end of 2021, the Company has paid RMB350.03 million.

Section VI Significant Events

XIV. EXPLANATION OF OTHER SIGNIFICANT EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS' VALUE JUDGMENTS AND INVESTMENT DECISIONS

√ Applicable □ Not applicable

1. Changes in qualifications for each individual business during the Reporting Period

During the Reporting Period, the Company obtained the account management function optimization pilot business qualification and the treasury bond and futures market making qualification. Please refer to “Business Qualifications for Each Individual Business of the Company” in “Section II Company Profile and Key Financial Indicators” of this report for details.

2. Acquisition of certain equity interests in HuaAn Funds

In March 2021, the Company received the Reply of Approval on the Change of Equity Interest in HuaAn Funds Management Co., Ltd. (Zheng Jian Xu Ke [2021] No. 669) from the CSRC, which approved Shanghai Jin Jiang International Investment and Management Company Limited to transfer the 8% equity interest in HuaAn Funds it held to the Company. In June 2021, HuaAn Funds completed the industrial and commercial change, and the shareholding in HuaAn Funds of the Company changed from 20% to 28%.

In October 2021, the third extraordinary meeting of the sixth session of the Board of the Company considered and approved the Company's acquisition of 15% equity interest in HuaAn Funds held by Shanghai Sitico Assets Management Co., Ltd. by way of non-public agreement transfer. The Company has signed the abovementioned equity transfer agreement, and the transfer price is RMB1.812 billion. In March 2022, the Company received the reply from the CSRC on the Approval for the Change in Equity Interest of HuaAn Funds Management Co., Ltd. (華安基金管理有限公司) (Zheng Jian Xu Ke [2022] No. 469) in which consent was given to the transfer of 15% equity interest in HuaAn Funds held by Shanghai Sitico Assets Management Co., Ltd. to the Company.

3. Issuance and payment of bonds

(1) Issuance and payment of bonds by the Company

In January 2021, the Company issued the short-term corporate bonds “21 GUOJUN S2” of RMB4 billion, with a term of 1 year for the purpose of providing additional working capital for the Company. In January 2022, the bonds matured and the Company repaid all the bonds.

In March 2019, the Company issued corporate bonds of EUR255 million (HKEX bond code: 5883) with a term of 3 years. In March 2022, the bonds matured and the Company repaid all the bonds.

Section VI Significant Events

(2) Issuance of MTN by Guotai Junan International

In 2021, Guotai Junan International issued MTN denominated in various currencies with a total amount of HK\$10.107 billion, US\$2.017 billion and RMB1.935 billion, with terms from three months to five years, of which HK\$306 million and US\$1.041 billion matured and were paid in 2021.

(3) Payment of USD bonds by Guotai Junan Holdings Limited

In March 2019, Guotai Junan Holdings Limited issued corporate bonds of USD500 million (HKEX bond code: 5853) with a term of 3 years. In March 2022, the bonds matured and Guotai Junan Holdings Limited repaid all the bonds.

4. Material contracts

During the Reporting Period, except for the related party transactions disclosed, the Company or its subsidiaries did not have any material contract with its controlling shareholder or its subsidiaries nor was there any material contract for the provision of services to the Company or any of its subsidiaries by its controlling shareholder or any of its subsidiaries (which would be required to be disclosed under Appendix 16 to the Hong Kong Listing Rules).

5. Management contracts

During the Reporting Period, no contracts were entered into and subsisted pursuant to which, the management and administration of the whole or substantial parts of the business of the Company were undertaken by individuals or entities (other than the service contracts with Directors, Supervisors or the full-time employees of the Company).

6. Permitted indemnity provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period. The Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors, the Supervisors and the Senior Management.

Section VI Significant Events

7. Tax reduction and exemption

(1) Holders of A Shares

In accordance with the Notice on Issues Regarding the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2012] No. 85) and the Notice on Issues Regarding the Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101) issued jointly by the Ministry of Finance, the State Administration of Taxation and CSRC, for dividends obtained from a listed company by an individual investor, if the duration of the shareholding starting from the date when the individual investor obtained the company's share and ending on the record date is more than one year, the personal income tax on the dividends thus obtained shall be exempted for the time being. If the duration of the shareholding starts from the date when the individual investor obtained the company's share and ending on the record date is less than one year (inclusive), the listed company shall, in respect of the individual income tax thereof, refrain from withholding and paying such tax for the time being, subject to adjustments to be made in accordance with the Notice at the time when the individual investor transfers his/her respective shares.

Individual that are shareholders of resident companies shall pay income tax on their cash dividends by themselves.

For QFII, listed companies are required to withhold and pay enterprise income tax at the rate of 10% pursuant to the requirements of the Notice Concerning the Relevant Issues on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonuses and Interests by PRC Resident Enterprises to QFII (《國家稅務總局關於中國居民企業向 QFII 支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2009] No. 47) issued by the State Administration of Taxation. QFII shareholders expecting tax concessions should apply to the competent tax authority for tax rebates according to the relevant rules and regulations after receiving the dividends.

Section VI Significant Events

In accordance with the Notice on Tax Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (《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》(Cai Shui [2014] No. 81), for dividend and bonus incomes obtained by investors (including enterprises and individuals) in the Hong Kong market from investment in A shares listed on the SSE, the implementation of differentiated taxation based on the term of shareholding is suspended before Hong Kong Securities Clearing Company Limited meets the conditions of providing identification, term of shareholding and other specific data of investors to the CSDC. The income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the governing tax authority. For Hong Kong investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises or individuals may apply to the competent tax authorities for the entitlement of the rate under such tax treaty or entrust a withholding to do so. Upon approval by the tax authorities, the amount paid in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

(2) Holders of H Shares

In accordance with the Notice of the PRC State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (《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徵管問題的通知》)(Guo Shui Han [2011] No. 348), dividends received by overseas residents for their personal holding of shares issued by domestic non-foreign invested enterprises in Hong Kong shall be subject to the payment of individual income tax under the “interest, dividend and bonus income” item, which shall be withheld by the withholding agents according to relevant laws. Such overseas residents that are individual owners of shares issued by domestic non-foreign invested enterprises in Hong Kong shall be entitled to the relevant preferential tax treatment pursuant to the provisions in the tax treaties signed between the countries where they reside and China, or the tax arrangements between Mainland and Hong Kong (Macau) SAR. The tax rate for dividends under the relevant tax agreements and tax agreements is 10% in general. For the purpose of simplifying tax administration, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, upon payment of dividends, generally withhold individual income tax at the rate of 10%, without the need to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for residents of countries that have signed lower than 10% tax rate treaties, the withholding agents may file applications on their behalf for the relevant agreed preferential tax treatments, under which circumstances the over-withheld tax amounts will be refunded upon approval by the tax authorities; (2) for residents of countries that have signed higher than 10% but lower than 20% tax rate treaties, the withholding agents shall withhold individual income tax at the agreed tax rate effective at the time of dividends payment, without the need to file an application; and (3) for residents of countries without tax agreements or under other situations, the withholding agents shall withhold individual income tax at 20% upon payment of dividends.

Section VI Significant Events

In accordance with the Notice of the State Administration of Taxation on the Issues Concerning Withholding Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Shareholders that are Nonresident Overseas Enterprises (《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》) (Guo Shui Han [2008] No. 897), a PRC resident enterprise, when paying dividends to H shareholders that are non-resident overseas enterprises for 2008 and subsequent years, shall withhold enterprise income tax at a uniform rate of 10%.

In accordance with the Notice on Tax Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (《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》) (Cai Shui [2014] No. 81) issued by the Ministry of Finance, the State Administration of Taxation and the SFC, for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax shall be paid in accordance with the aforementioned regulations. For dividends received by domestic enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall not withhold and pay the income tax for such dividends and those domestic enterprise investors shall report and pay the relevant tax on their own. Meanwhile, for the dividends obtained by domestic resident enterprises from holding relevant H shares for a consecutive 12-month period, the corporate income tax shall be exempted according to laws.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders are taxed and/or enjoy tax exemption in accordance with the aforementioned regulations.

Section VII Changes in Shares and Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in Shares

1. Table of changes in Shares

Unit: share

	Before change		Change (+/-) Capitalization				After change		
	Number	Percentage (%)	Issue of new shares	Bonus issue	of surplus reserve	Others	Sub-total	Number	Percentage (%)
I. Shares subject to selling restrictions	79,000,000	0.89				-9,999,990	-9,999,990	88,999,990	1.00
1. Other domestic shareholdings	79,000,000	0.89				-9,999,990	-9,999,990	88,999,990	1.00
Shareholdings of domestic natural person	79,000,000	0.89				-9,999,990	-9,999,990	88,999,990	1.00
II. Tradable shares not subject to selling restrictions	8,829,448,211	99.11				-9,998,678	-9,998,678	8,819,449,533	99.00
1. RMB-denominated ordinary shares	7,437,621,031	83.49				-9,998,678	-9,998,678	7,427,622,353	83.38
2. Overseas listed foreign invested Shares	1,391,827,180	15.62				-	-	1,391,827,180	15.62
III. Total number of ordinary shares	8,908,448,211	100.00				+1,312	+1,312	8,908,449,523	100.00

2. Changes in Shares

Applicable Not applicable

During the Reporting Period, the A-Share Convertible Bonds had been converted into a total of 1,312 Shares. The total share capital of the Company changed to 8,908,449,523 Shares, including 7,516,622,343 A Shares and 1,391,827,180 H Shares. In September 2021, the Company granted 9,999,990 reserved Restricted A Shares to the Incentive Participants, and the Company's shares subject to selling restrictions increased by 9,999,990 Shares.

Section VII Changes in Shares and Particulars of Shareholders

3. Impact of changes in shares on earnings per share, net asset value per share or other financial indicators for the latest year and latest period

Applicable Not applicable

In 2021, the basic earnings per share of the Group was RMB1.65, and the diluted earnings per share was RMB1.62 after taking into account the impact of conversion of convertible bonds and the Restricted Share Incentive Scheme of A Shares; and the net asset per share attributable to equity holders of the Company at the end of 2021 (including the perpetual bonds issued by the Company) was RMB16.52, representing an increase of RMB1.08 compared with the same period of last year. After deducting the effect of such perpetual bonds, the net asset per share attributable to equity holders of the Company at the end of 2021 was RMB15.40.

4. Other information considered necessary by the Company or required by securities regulators to be disclosed

Applicable Not applicable

(II) Changes in Shares subject to selling restrictions

Applicable Not applicable

Unit: share

Name of shareholders	Number of Shares subject to selling restrictions as at the beginning of the year	Number of Shares for the year unlocking	Increase in number of Shares subject to selling restrictions for the year	Number of Shares subject to selling restrictions at the end of the year	Reasons	Unlocking date
Incentive participants of restricted A Shares	79,000,000	-	9,999,990	88,999,990	Restricted Share Incentive Scheme of A Shares	See note for details
Total	79,000,000	-	9,999,990	88,999,990	/	/

Note: The Company completed the registration for the Reserved Grant of 9,999,990 restricted A Shares on 29 September 2021. The lock-up periods of the reserved restricted A Shares held by the incentive participants are 24 months, 36 months and 48 months, respectively, from the date of completing registration for the grant of the corresponding portions of shares.

Section VII Changes in Shares and Particulars of Shareholders

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the Reporting Period

Applicable Not applicable

Unit: share Currency: RMB

Types of Shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount	Listing date	Transaction amount approved to be listed	Transaction Termination Date
Bonds (including enterprise bonds, corporate bonds and debt financing instruments for non-financial businesses)						
2021 First Tranche Short-term Financing Bills	July 2021	2.20%	4,000,000,000	July 2021	4,000,000,000	September 2021
2021 Second Tranche Short-term Financing Bills	August 2021	2.10%	5,000,000,000	August 2021	5,000,000,000	November 2021
2021 Third Tranche Short-term Financing Bills	September 2021	2.75%	2,000,000,000	September 2021	2,000,000,000	September 2022
2021 Fourth Tranche Short-term Financing Bills	September 2021	2.62%	2,000,000,000	September 2021	2,000,000,000	March 2022
2021 Fifth Tranche Short-term Financing Bills	November 2021	2.73%	3,000,000,000	November 2021	3,000,000,000	May 2022
2021 Sixth Tranche Short-term Financing Bills	November 2021	2.75%	3,000,000,000	November 2021	3,000,000,000	November 2022
2022 First Tranche Short-term Financing Bills	January 2022	2.58%	3,000,000,000	January 2022	3,000,000,000	December 2022
2021 Subordinated Bonds (First Tranche)	January 2021	3.89%	3,000,000,000	January 2021	3,000,000,000	January 2024
2021 Subordinated Bonds (Second Tranche) (Type I)	December 2021	3.09%	4,000,000,000	December 2021	4,000,000,000	December 2023
2021 Subordinated Bonds (Second Tranche) (Type II)	December 2021	3.20%	2,000,000,000	December 2021	2,000,000,000	December 2024
2021 Short-term Corporate Bonds (First Tranche) (Type I)	January 2021	2.77%	4,000,000,000	January 2021	4,000,000,000	July 2021
2021 Short-term Corporate Bonds (First Tranche) (Type II)	January 2021	2.94%	4,000,000,000	January 2021	4,000,000,000	January 2022
2021 Short-term Corporate Bonds (Second Tranche)	June 2021	2.97%	5,000,000,000	June 2021	5,000,000,000	June 2022
2021 Short-term Corporate Bonds (Third Tranche)	August 2021	2.68%	4,800,000,000	September 2021	4,800,000,000	July 2022
2021 Short-term Corporate Bonds (Fourth Tranche) (Type I)	November 2021	2.67%	4,000,000,000	November 2021	4,000,000,000	May 2022
2021 Short-term Corporate Bonds (Fourth Tranche) (Type II)	November 2021	2.75%	4,000,000,000	November 2021	4,000,000,000	October 2022
2021 Corporate Bonds (First Tranche) (Type I)	April 2021	3.46%	4,000,000,000	April 2021	4,000,000,000	April 2024

Section VII Changes in Shares and Particulars of Shareholders

Types of Shares and other derivative instruments	Date of issue	Issue price (or interest rate)	Issue amount	Listing date	Transaction amount approved to be listed	Transaction Termination Date
2021 Corporate Bonds (First Tranche) (Type II)	April 2021	3.75%	2,000,000,000	April 2021	2,000,000,000	April 2026
2021 Corporate Bonds (Second Tranche) (Type I)	May 2021	3.31%	3,000,000,000	May 2021	3,000,000,000	May 2024
2021 Corporate Bonds (Second Tranche) (Type II)	May 2021	3.67%	5,000,000,000	May 2021	5,000,000,000	May 2026
2021 Corporate Bonds (Third Tranche) (Type I)	June 2021	3.40%	2,900,000,000	June 2021	2,900,000,000	June 2024
2021 Corporate Bonds (Fourth Tranche) (Type I)	July 2021	3.13%	1,900,000,000	July 2021	1,900,000,000	July 2024
2021 Corporate Bonds (Fourth Tranche) (Type II)	July 2021	3.48%	6,100,000,000	July 2021	6,100,000,000	July 2026
2021 Corporate Bonds (Fifth Tranche) (Type I)	August 2021	3.01%	2,800,000,000	August 2021	2,800,000,000	August 2024
2021 Corporate Bonds (Fifth Tranche) (Type II)	August 2021	3.35%	4,200,000,000	August 2021	4,200,000,000	August 2026
2021 Corporate Bonds (Sixth Tranche)	August 2021	3.77%	3,000,000,000	August 2021	3,000,000,000	August 2031
2021 Corporate Bonds (Seventh Tranche) (Type I)	September 2021	3.09%	4,400,000,000	September 2021	4,400,000,000	October 2024
2021 Corporate Bonds (Seventh Tranche) (Type II)	September 2021	3.80%	3,400,000,000	September 2021	3,400,000,000	September 2031
2021 Corporate Bonds (eighth Tranche) (Type I)	October 2021	3.29%	3,300,000,000	October 2021	3,300,000,000	November 2024
2021 Corporate Bonds (eighth Tranche) (Type II)	October 2021	3.99%	3,400,000,000	October 2021	3,400,000,000	October 2031
Guotai Junan Financial Holdings Guaranteed MTN	April 2021	2.00%	USD500,000,000	April 2021	USD500,000,000	April 2026
Guotai Junan Financial Holdings Guaranteed MTN	November 2021	1.60%	USD300,000,000	November 2021	USD300,000,000	November 2024

Issue of securities during the Reporting Period:

Applicable Not applicable

Section VII Changes in Shares and Particulars of Shareholders

(II) Changes in the Company's total number of Shares and structure of Shareholder and changes in structure of asset and liability of the Company

Applicable Not applicable

For changes in the Company's total number of Shares and structure of Shareholder, please refer to "1. Table of changes in Shares" and "2. Changes in Shares" in "I. CHANGES IN SHARE CAPITAL" in this section.

For changes in structure of asset and liability of the Company, please refer to "Section III Discussion and Analysis of the Board of Directors" in this report headed "V. PRINCIPAL OPERATION CONDITION DURING THE REPORTING PERIOD 3. Analysis of consolidated statements of financial position".

(III) Existing internal employee Shares

Applicable Not applicable

III. PARTICULARS OF SHAREHOLDERS

(I) Total number of Shareholders

Total number of holders of ordinary shares at the end of the Reporting Period ^{Note}	173,922
Total number of holders of ordinary shares at the end of the month immediately before the date of disclosure of the annual report	173,690
Total number of holders of preferred shares with voting rights restored at the end of the Reporting Period	—
Total number of holders of preferred shares with voting rights restored at the end of the month immediately before the date of disclosure of the annual report	—

Note: The total number of Shareholders includes holders of ordinary A Shares and registered holders of H Shares. As at the end of the Reporting Period, there were 173,742 holders of A Shares and 180 registered holders of H Shares. The total number of Shareholders as at the end of the month immediately before the date of this annual report included 173,512 holders of A Shares and 178 registered holders of H Shares.

Section VII Changes in Shares and Particulars of Shareholders

(II) Shareholdings of the top ten Shareholders and the top ten holders of tradable Shares (or Shares without selling restrictions) as at the end of the Reporting Period

Unit: share

Names of Shareholders (full name)	Shareholdings of the top ten Shareholders						Nature of Shareholders
	Increase or decrease during the Reporting Period	Number of shares held as at the end of the period	Percentage (%)	Number of non-tradable shares	Pledged, marked or frozen Status	Number	
Shanghai State-owned Assets Operation Co., Ltd. ^{Note 1}	-	1,900,963,748	21.34	-	Not	-	State-owned legal person
HKSCC Nominees Limited ^{Note 2}	+72,000	1,391,749,520	15.62	-	Unknown	-	Overseas legal person
Shanghai International Group Co., Ltd. ^{Note 3}	-	682,215,791	7.66	-	Not	-	State-owned legal person
Shenzhen Investment Holdings Co., Ltd. ^{Note 4}	-	609,428,357	6.84	-	Not	-	State-owned legal person
China Securities Finance Corporation Limited	-	260,547,316	2.92	-	Not	-	Domestic non-state-owned legal person
Shanghai Municipal Investment (Group) Corporation	-	246,566,512	2.77	-	Not	-	State-owned legal person
Hong Kong Securities Clearing Company Limited ^{Note 5}	+17,236,184	158,384,159	1.78	-	Not	-	Overseas legal person
Shenzhen Energy Group Co., Ltd.	-	154,455,909	1.73	-	Not	-	Domestic non-state-owned legal person
China Construction Bank Corporation - Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	-10,184,456	87,668,176	0.98	-	Not	-	Others
China National Nuclear Corporation	-	76,292,793	0.86	-	Not	-	State-owned legal person

Section VII Changes in Shares and Particulars of Shareholders

Details of the top ten shareholders without selling restrictions^{Note 6}

Names of Shareholders	Number of tradable shares without selling restrictions held	Class and number of shares	
		Class	Number
Shanghai State-owned Assets Operation Co., Ltd	1,900,963,748	RMB – denominated ordinary shares	1,900,963,748
HKSCC Nominees Limited	1,391,749,520	Overseas Listed foreign-invested shares	1,391,749,520
Shanghai International Group Co., Ltd.	682,215,791	RMB – denominated ordinary shares	682,215,791
Shenzhen Investment Holdings Co., Ltd.	609,428,357	RMB – denominated ordinary shares	609,428,357
China Securities Finance Corporation Limited	260,547,316	RMB – denominated ordinary shares	260,547,316
Shanghai Municipal Investment (Group) Corporation	246,566,512	RMB – denominated ordinary shares	246,566,512
Hong Kong Securities Clearing Company Limited	158,384,159	RMB – denominated ordinary shares	158,384,159
Shenzhen Energy Group Co., Ltd.	154,455,909	RMB – denominated ordinary shares	154,455,909
China Construction Bank Corporation -Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	87,668,176	RMB – denominated ordinary shares	87,668,176
China National Nuclear Corporation	76,292,793	RMB – denominated ordinary shares	76,292,793
Description on the special repurchase accounts under the top ten shareholders	Not applicable		
Description on the voting rights entrusted by or to, or waived by the above shareholders	The Company is not aware of any such arrangements about shareholders		
Description on the relations or acting-in-concert arrangements among the Shareholders above	Shanghai State-owned Assets Operation Co., Ltd is a wholly owned subsidiary of Shanghai International Group Co., Ltd. HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are both wholly owned subsidiaries of The Stock Exchange of Hong Kong Limited, holding H Shares and A Shares of the Company for H shares investors and Shanghai Connect investors. Save as disclosed herein, the Company is not aware of any other relations or acting-in-concert arrangements		
Description on the holders of preferred shares with voting rights restored and their shareholdings	Not applicable		

Note 1: In the above table of top ten shareholders, the number of Shares held by Shanghai SA as at the end of the period merely represents the number of A Shares held by it. Another 152,000,000 H Shares were held by Shanghai SA through HKSCC Nominees Limited as the nominee.

Note 2: HKSCC Nominees Limited is a nominee holder of the Shares owned by the non-registered holders of the H Shares.

Note 3: In the above table of top ten shareholders, the number of Shares held by International Group as at the end of the period merely represents the number of A Shares held by it. Another 124,000,000 H Shares were held by International Group through HKSCC Nominees Limited as the nominee.

Note 4: In the above table of top ten shareholders, the number of Shares held by Shenzhen Investment Holdings as at the end of the period merely represents the number of A Shares held by it. Another 103,373,800 H Shares were held by Shenzhen Investment Holdings through HKSCC Nominees Limited as the nominee.

Note 5: Hong Kong Securities Clearing Company Limited is the nominee of Shanghai Connect investors holding A Shares of the Company.

Note 6: The Shares subject to selling restrictions and the Shareholders subject to selling restrictions as referred to herein are those as defined under the SSE Listing Rules.

Section VII Changes in Shares and Particulars of Shareholders

Number of shares held by top ten shareholders with selling restrictions and their selling restrictions

Applicable Not applicable

Unit: share

No.	Names of shareholders holding shares subject to selling restrictions	Number of shares subject to selling restrictions held	Listing and trading of shares subject to selling restrictions		Selling restrictions
			The date on which shares becoming tradable	Increase in the number of tradable shares	
1	WANG Song	722,000	See notes for details	–	See notes for details
2	JIANG Yiming	650,000	See notes for details	–	See notes for details
3	CHEN Yutao	650,000	See notes for details	–	See notes for details
4	LI Junjie	599,686	See notes for details	–	See notes for details
5	XIE Lebin	595,000	See notes for details	–	See notes for details
6	LUO Dongyuan	595,000	See notes for details	–	See notes for details
7	JIANG Wei	595,000	See notes for details	–	See notes for details
8	YU Jian	595,000	See notes for details	–	See notes for details
9	ZHANG Zhihong	595,000	See notes for details	–	See notes for details
10	ZHANG Zhiming	595,000	See notes for details	–	See notes for details
11	ZHAO Hong	595,000	See notes for details	–	See notes for details
12	YU Feng	595,000	See notes for details	–	See notes for details
Description on the relations or acting-in-concert arrangements among the Shareholders above		The Company is not aware of any other relations or acting-in-concert arrangements			

Note: The above Shares subject to selling restrictions represent the Shares granted by the Company to the Incentive Participants due to the implementation of Restricted Share Incentive Scheme of A Shares. Details on listing and trading of shares subject to selling restrictions and selling restrictions are available in the Restricted Share Incentive Scheme of A Shares disclosed in the website of the HKEX (<http://www.hkex.com.hk>).

(III) Strategic investors or general legal persons becoming the top 10 Shareholders by placing of new Shares

Applicable Not applicable

Section VII Changes in Shares and Particulars of Shareholders

IV. INFORMATION ON CONTROLLING SHAREHOLDERS

(I) Information on Controlling Shareholders

1 Legal persons

Applicable Not applicable

Name	Shanghai International Group Co., Ltd.
Person in charge or legal representative	Yu Beihua
Date of establishment	20 April 2000
Principal operations	Principally engaged in the activities of investment, capital operation and asset management in the financial sector and supplemented with non-financial sectors
Equity interests in other domestic and overseas listed controlling and invested companies during the Reporting Period	Holding 29.67% in aggregate as at the end of the Reporting Period of Shanghai Pudong Development Bank Co., Ltd. (600000.SH) Holding 10.31% in aggregate as at the end of the Reporting Period of China Pacific Insurance (Group) Co., Ltd. (601601.SH、2601.HK) Holding 9.07% in aggregate as at the end of the Reporting Period of Shanghai Rural Commercial Bank Co., Ltd. (601825.SH)
Other matters	Nil

2 Natural persons

Applicable Not applicable

3 Special explanation on the Company not having controlling shareholders

Applicable Not applicable

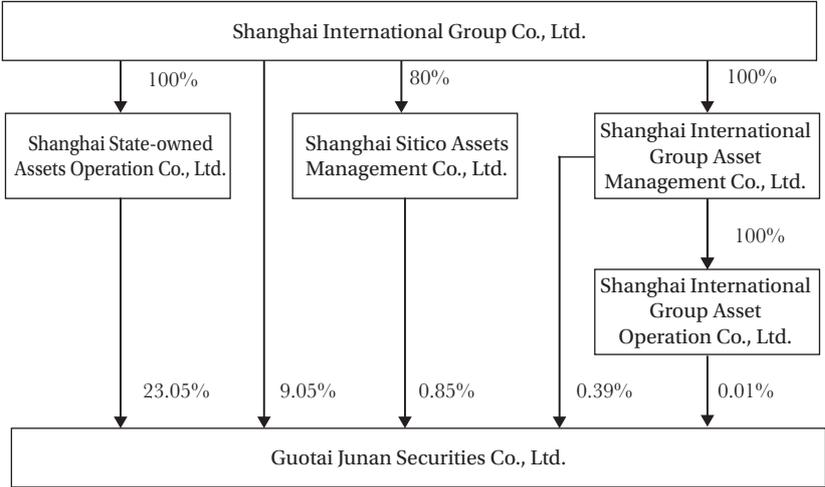
4 Explanation on changes in controlling shareholders during the Reporting Period

Applicable Not applicable

Section VII Changes in Shares and Particulars of Shareholders

5 The chart of the relationship between the Company and the controlling shareholders on the ownership and controlling relationship

Applicable Not applicable



6 Control over the Company via trust or other assets management methods by the controlling shareholders

Applicable Not applicable

(II) Other Information on the Controlling Shareholder

Applicable Not applicable

V. THE NUMBER OF SHARES PLEDGED BY THE COMPANY’S CONTROLLING SHAREHOLDERS OR THE LARGEST SHAREHOLDER AND PERSONS ACTING IN CONCERT IN AGGREGATE ACCOUNTS FOR MORE THAN 80% OF THE SHARES HELD BY THEM IN THE COMPANY

Applicable Not applicable

VI. OTHER CORPORATE SHAREHOLDERS HOLDING MORE THAN 10% OF SHARES

Applicable Not applicable

Section VII Changes in Shares and Particulars of Shareholders

VII. MATTERS REGARDING THE RESTRICTION OF REDUCING SHARES

Applicable Not applicable

VIII. SPECIFIC IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

Applicable Not applicable

IX. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2021, to the best knowledge of the Company, the following persons have interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or are required to be recorded, in the register that is required to be kept by the Company under Section 336 of the SFO or own directly or indirectly 5% or more of the nominal value of any class of the Shares:

Substantial Shareholders	Nature of Interest	Class	Number ^{Note 1} / Nature of Shares Directly or Indirectly Held	As an Approximate Percentage of the Relevant Class of Shares (%)	As an Approximate Percentage of the Total Issued Share Capital (%)
Shanghai International Group Co., Ltd.	Beneficial owner	A Shares	682,215,791/ Long positions	9.08	7.66
	Beneficial owner	H Shares	124,000,000/ Long positions	8.91	1.39
	Interest held by controlled corporations	A Shares	2,012,109,666/ Long positions ^{Note 2}	26.77	22.59
	Interest held by controlled corporations	H Shares	152,000,000/ Long positions ^{Note 3}	10.92	1.71
Shanghai State-owned Assets Operation Co., Ltd.	Beneficial owner	A Shares	1,900,963,748/ Long positions	25.29	21.34
	Beneficial owner	H Shares	152,000,000/ Long positions	10.92	1.71
Shenzhen Investment Holdings Co., Ltd.	Beneficial owner	A Shares	609,428,357/ Long positions	8.11	6.84
	Beneficial owner	H Shares	103,373,800/ Long positions	7.43	1.16

Section VII Changes in Shares and Particulars of Shareholders

Substantial Shareholders	Nature of Interest	Class	Number ^{Note 1/}	As an	As an
			Nature of Shares Directly or Indirectly Held	Approximate Percentage of the Relevant Class of Shares (%)	Approximate Percentage of the Total Issued Share Capital (%)
New China Asset Management (Hong Kong) Limited	Beneficial owner	H Shares	258,388,000/ Long positions	18.56	2.90
New China Asset Management Company Limited	Interest held by controlled corporations	H Shares	258,388,000/ Long positions ^{Note 4}	18.56	2.90
New China Life Insurance Company Ltd.	Interest held by controlled corporations	H Shares	258,388,000/ Long positions ^{Note 4}	18.56	2.90
Diamond Acquisition Co SARL	Beneficial owner	H Shares	190,333,000/ Long positions ^{Note 5}	13.68	2.14
A9 USD (Feeder) L.P.	Interest held by controlled corporations	H Shares	190,333,000/ Long positions ^{Note 5}	13.68	2.14
Apax Guernsey (Holdco) PCC Limited	Interest held by controlled corporations	H Shares	190,333,000/ Long positions ^{Note 5}	13.68	2.14
Apax IX GP Co. Limited	Interest held by controlled corporations	H Shares	190,333,000/ Long positions ^{Note 5}	13.68	2.14
Apax IX USD GP L.P.Inc.	Interest held by controlled corporations	H Shares	190,333,000/ Long positions ^{Note 5}	13.68	2.14
Apax IX USD L.P.	Interest held by controlled corporations	H Shares	190,333,000/ Long positions ^{Note 5}	13.68	2.14
Diamond Holding SARL	Interest held by controlled corporations	H Shares	190,333,000/ Long positions ^{Note 5}	13.68	2.14
Jacqueline Mary Le Maitre-Ward	Trustee of a trust	H Shares	190,333,000/ Long positions ^{Note 5}	13.68	2.14
David Payne Staples	Trustee of a trust	H Shares	190,333,000/ Long positions ^{Note 5}	13.68	2.14
Newton Industrial Limited	Beneficial owner	H Shares	100,000,000/ Long positions	7.18	1.12
Shenzhen Energy Group Co., Ltd.	Interest held by controlled corporations	H Shares	100,000,000/ Long positions ^{Note 6}	7.18	1.12
Shanghai Ningquan Asset Management Co., Ltd.	Beneficial owner	H Shares	97,702,600/ Long positions	7.02	1.10

Section VII Changes in Shares and Particulars of Shareholders

- Note 1: Pursuant to Section 336 of the SFO, Shareholders shall submit forms to disclose their interests when certain conditions are met. As Shareholders are not required to inform the Company and the Hong Kong Stock Exchange of any changes in their shareholdings in the Company unless certain conditions are met, the latest shareholdings of substantial Shareholders may be inconsistent with the shareholdings reported to the Hong Kong Stock Exchange.
- Note 2: As at 31 December 2021, Shanghai SA, Shanghai International Group Asset Management Co., Ltd., Shanghai International Group Asset Operation Co., Ltd. and Shanghai Sitico Assets Management Co., Ltd. were interested in 1,900,963,748, 34,732,152, 931,505 and 75,482,261 A Shares respectively. Shanghai SA, Shanghai International Group Asset Management Co., Ltd. and Shanghai International Group Asset Operation Co., Ltd. are wholly owned subsidiaries of International Group, and Shanghai Sitico Assets Management Co., Ltd. is a subsidiary in which International Group holds a 80% interest. Therefore, International Group is deemed to be interested in the 2,012,109,666 A Shares held by Shanghai SA, Shanghai International Group Asset Management Co., Ltd., Shanghai International Group Asset Operation Co., Ltd. and Shanghai Sitico Assets Management Co., Ltd. for the purpose of the SFO.
- Note 3: Shanghai SA is a wholly owned subsidiary of International Group. Therefore, International Group is deemed to be interested in the 152,000,000 H Shares held by Shanghai SA for the purpose of the SFO.
- Note 4: New China Asset Management Company Limited holds a 60% interest in New China Asset Management (Hong Kong) Limited, and New China Life Insurance Company Ltd. owns a 99.4% interest in New China Asset Management Company Limited. Therefore, New China Life Insurance Company Ltd. and New China Asset Management Company Limited are deemed to be interested in the 258,388,000 H Shares held by New China Asset Management (Hong Kong) Limited for the purpose of the SFO.
- Note 5: Diamond Acquisition Co SARL is wholly owned by Diamond Holding SARL. Apax IX USD L.P. is the beneficial owner of 73.8% of the equity interest in Diamond Holding SARL. A9 USD (Feeder) L.P. contributed 44.9% of the capital to Apax IX USD L.P.. Apax IX USD GP L.P. Inc. is the general partner of Apax IX USD L.P. and A9 USD (Feeder) L.P.. Apax IX GP Co. Limited is the general partner of Apax IX USD GP L.P. Inc.. Apax IX GP Co. Limited is wholly owned by Apax Guernsey (Holdco) PCC Limited. The equity interest in Apax Guernsey (Holdco) PCC Limited is held by Jacqueline Mary Le Maitre-Ward and David Payne Staples as trustees of the Hirzel IV Purpose Trust. Accordingly, each of Diamond Holding SARL, Apax IX USD L.P., Apax IX USD GP L.P. Inc., Apax IX GP Co. Limited, Apax Guernsey (Holdco) PCC Limited, A9 USD (Feeder) L.P., Jacqueline Mary Le Maitre-Ward and David Payne Staples are deemed to be interested in the 190,333,000 H Shares held by Diamond Acquisition Co SARL for the purpose of the SFO.
- Note 6: Newton Industrial Limited is wholly owned by Shenzhen Energy Group Co., Ltd. Therefore, Shenzhen Energy Group Co., Ltd. is deemed to be interested in 100,000,000 H Shares held by Newton Industrial Limited under the SFO.

Save as disclosed above, as at 31 December 2021, the Company was not aware of any other person (other than the directors, supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register pursuant to Section 336 of the SFO.

Section VII Changes in Shares and Particulars of Shareholders

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

As of the end of 2021, details on restricted shares granted to some Directors of the Company due to the Company's implementation of the Restricted Share Incentive Scheme of A Shares are as follows:

Name	Positions	Nature of Interest	Class	Number/ Nature of Shares Directly or Indirectly Held	As an Approximate Percentage of the Relevant Class of Shares (%)	As an Approximate Percentage of the Total Issued Share Capital (%)
WANG Song	Vice chairman of the Board, Executive Director, President	Beneficial owner	A Shares	722,000/ Long positions	0.0096	0.0081
YU Jian	Executive Director, Secretary of the Board	Beneficial owner	A Shares	595,000/ Long positions	0.0079	0.0067

Save as disclosed above, the Company was not aware of any Directors, Supervisors and the chief executive of the Company who had any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

XI. REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

1. Redemption of corporate bonds

On 12 April 2016, the Company issued with a term of 7-years 2016 Corporate Bonds (First Tranche) (Type II) (hereafter as "16 GUOJUN G2") with a total amount of RMB1.0 billion and the coupon rate of 3.25%. The Company has an option to redeem the 16 GUOJUN G2 at the end of the fifth year. On 26 February 2021, the Company decided to exercise its issuers option to redeem the 16 GUOJUN G2. Such redemption was completed on 12 April 2021. The total principal amount of the 16 GUOJUN G2 repaid by the Company amounted to RMB1.0 billion. The 16 GUOJUN G2 were delisted from the Integrated Electronic Platform for Fixed Income Securities of the Shanghai Stock Exchange on 12 April 2021.

Section VII Changes in Shares and Particulars of Shareholders

2. Repurchase and Cancellation of Certain Restricted A Shares

The Company convened the general meeting, the A Share class meeting and the H Share class meeting on 25 November 2021, at which the Resolution on Proposing to Consider Repurchase and Cancellation of Certain Restricted A Shares by the Company (《關於提請審議公司回購注銷部分A股限制性股票的議案》) was considered and approved, pursuant to which the Company repurchased and canceled a total of 1,778,000 restricted A Shares that have been granted but have not been unlocked held by 11 participants who were no longer eligible as a participant under the first grant at a repurchase price of RMB7.08 per share with the repurchase amount of RMB12,588,240.

On 27 January 2022, the Company completed the repurchase and cancellation of 1,778,000 restricted A Shares. Upon the completion of the repurchase and cancellation, there are 87,221,990 restricted A Shares remaining under the incentive scheme of the Company.

Save as disclosed in this report, neither the Company nor any of its subsidiaries repurchase, sell or redeem any listed securities of the Company and its subsidiaries.

XII. PUBLIC FLOAT

Upon the listing of the H Shares, the Hong Kong Stock Exchange granted a waiver to the Company, accepting the minimum public float for the H Shares:

1. Before the conversion of the Convertible Corporate Bonds: to be the higher of 11.45% of the total issued share capital of the Company or such percentage of H Shares of the enlarged issued share capital of the Company to be held by the public upon the exercise of the over-allotment option;
2. After the conversion of the Convertible Corporate Bonds: to be the higher of 10.78% of the total issued share capital of the Company or such percentage of H Shares to be held by the public immediately upon the full conversion of the Convertible Corporate Bonds.

As at the date of this report, based on the information available to the public and the knowledge of the Directors, the public float of the Company is in compliance with Rule 8.08 of the Hong Kong Listing Rules and the requirements for minimum public float as set out in the waiver granted by the Hong Kong Stock Exchange upon the H Share listing.

XIII. EQUITY-LINKED AGREEMENTS

Except for the convertible corporate bonds becoming convertible into A Shares in January 2018 as disclosed in this report, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

XIV. PRE-EMPTIVE RIGHT ARRANGEMENT

Pursuant to PRC laws, the Shareholders do not have any pre-emptive rights.

Section VIII Preferred Shares

Applicable Not applicable

Section IX Corporate Bonds

I. ENTERPRISE BONDS, CORPORATE BONDS, AND DEBT FINANCING INSTRUMENTS FOR NON-FINANCIAL BUSINESSES

√ Applicable □ Not applicable

(I) Enterprise bonds

□ Applicable √ Not applicable

(II) Corporate bonds

√ Applicable □ Not applicable

1. Basic information of corporate bonds

Unit: yuan Currency: RMB

Name of bond	Abbreviation	Bond code	Issue date	Interest commencement date	Maturity date	Outstanding amount	Interest Rate (%)	Method of repayment of principal and payment of interests	Place of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there is a risk of the listing and trading of bonds being terminated? (Y/N)
2017 Corporate Bonds (First Tranche) (Type II)	17 GUOJUN G2	143230	2017/8/3	2017/8/4	2022/8/4	600,000,000	4.7	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2018 Corporate Bonds (Third Tranche) (Type II)	18 GUOJUN G4	143733	2018/7/12	2018/7/16	2023/7/16	300,000,000	4.64	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2019 Corporate Bonds (First Tranche) (Type I)	19 GUOJUN G1	155371	2019/4/23	2019/4/24	2022/4/24	3,000,000,000	3.9	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2019 Corporate Bonds (Second Tranche)	19 GUOJUN G3	155423	2019/5/15	2019/5/17	2022/5/17	2,900,000,000	3.73	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N

Section IX Corporate Bonds

Name of bond	Abbreviation	Bond code	Issue date	Interest commencement date	Maturity date	Outstanding amount	Interest Rate (%)	Method of repayment of principal and payment of interests	Place of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there is a risk of the listing and trading of bonds being terminated ? (Y/N)
2019 Corporate Bonds (Third Tranche)	19 GUOJUN G4	155771	2019/10/14	2019/10/16	2022/10/16	2,500,000,000	3.48	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2020 Corporate Bonds (First Tranche)	20 GUOJUN G1	163105	2020/1/7	2020/1/9	2023/1/9	4,000,000,000	3.37	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2020 Corporate Bonds (Second Tranche) (Type I)	20 GUOJUN G2	163325	2020/3/19	2020/3/23	2023/3/23	4,000,000,000	3.05	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2020 Corporate Bonds (Third Tranche)	20 GUOJUN G4	163756	2020/7/20	2020/7/22	2023/7/22	5,000,000,000	3.55	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2020 Corporate Bonds (Fourth Tranche)	20 GUOJUN G5	175099	2020/9/2	2020/9/4	2023/9/4	4,000,000,000	3.75	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2020 Corporate Bonds (Fifth Tranche) (Type I)	20 GUOJUN G6	175462	2020/11/19	2020/11/23	2022/11/23	3,900,000,000	3.8	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2020 Corporate Bonds (Fifth Tranche) (Type II)	20 GUOJUN G7	175463	2020/11/19	2020/11/23	2023/11/23	2,000,000,000	3.9	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N

Section IX Corporate Bonds

Name of bond	Abbreviation	Bond code	Issue date	Interest commencement date	Maturity date	Outstanding amount	Interest Rate (%)	Method of repayment of principal and payment of interests	Place of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there is a risk of the listing and trading of bonds being terminated? (Y/N)
2020 Corporate Bonds (Sixth Tranche) (Type II)	20 GUOJUN G9	175521	2020/12/3	2020/12/7	2023/12/7	2,900,000,000	3.77	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Subordinated Bonds (First Tranche)	21 GUOJUN C1	175684	2021/1/21	2021/1/25	2024/1/25	3,000,000,000	3.89	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (First Tranche) (Type I)	21 GUOJUN G1	175987	2021/4/13	2021/4/15	2024/4/15	4,000,000,000	3.46	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (First Tranche) (Type II)	21 GUOJUN G2	175988	2021/4/13	2021/4/15	2026/4/15	2,000,000,000	3.75	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (Second Tranche) (Type I)	21 GUOJUN G3	188127	2021/5/19	2021/5/21	2024/5/21	3,000,000,000	3.31	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (Second Tranche) (Type II)	21 GUOJUN G4	188128	2021/5/19	2021/5/21	2026/5/21	5,000,000,000	3.67	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (Third Tranche) (Type I)	21 GUOJUN G5	188215	2021/6/7	2021/6/9	2024/6/9	2,900,000,000	3.4	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N

Section IX Corporate Bonds

Name of bond	Abbreviation	Bond code	Issue date	Interest commencement date	Maturity date	Outstanding amount	Interest Rate (%)	Method of repayment of principal and payment of interests	Place of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there is a risk of the listing and trading of bonds being terminated ? (Y/N)
2021 Short-term Corporate Bonds (Second Tranche)	21 GUOJUN S3	163869	2021/6/17	2021/6/21	2022/6/21	5,000,000,000	2.97	Principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (Fourth Tranche) (Type I)	21 GUOJUN G7	188431	2021/7/19	2021/7/21	2024/7/21	1,900,000,000	3.13	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (Fourth Tranche) (Type II)	21 GUOJUN G8	188432	2021/7/19	2021/7/21	2026/7/21	6,100,000,000	3.48	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (Fifth Tranche) (Type I)	21 GUOJUN G9	188496	2021/8/2	2021/8/4	2024/8/4	2,800,000,000	3.01	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (Fifth Tranche) (Type II)	21 GUOJUN 10	188497	2021/8/2	2021/8/4	2026/8/4	4,200,000,000	3.35	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (Sixth Tranche)	21 GUOJUN 11	188557	2021/8/10	2021/8/12	2031/8/12	3,000,000,000	3.77	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Short-term Corporate Bonds (Third Tranche)	21 GUOJUN S4	188668	2021/8/26	2021/8/30	2022/7/27	4,800,000,000	2.68	Principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N

Section IX Corporate Bonds

Name of bond	Abbreviation	Bond code	Issue date	Interest commencement date	Maturity date	Outstanding amount	Interest Rate (%)	Method of repayment of principal and payment of interests	Place of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there is a risk of the listing and trading of bonds being terminated? (Y/N)
2021 Corporate Bonds (Seventh Tranche) (Type I)	21 GUOJUN 12	188736	2021/9/9	2021/9/13	2024/10/17	4,400,000,000	3.09	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (Seventh Tranche) (Type II)	21 GUOJUN 13	188737	2021/9/9	2021/9/13	2031/9/13	3,400,000,000	3.8	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (Eighth Tranche) (Type I)	21 GUOJUN 14	188859	2021/10/12	2021/10/14	2024/11/17	3,300,000,000	3.29	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Corporate Bonds (Eighth Tranche) (Type II)	21 GUOJUN 15	188860	2021/10/12	2021/10/14	2031/10/14	3,400,000,000	3.99	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Short-term Corporate Bonds (Fourth Tranche) (Type I)	21 GUOJUN S5	188991	2021/11/10	2021/11/12	2022/5/26	4,000,000,000	2.67	Principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Short-term Corporate Bonds (Fourth Tranche) (Type II)	21 GUOJUN S6	188993	2021/11/10	2021/11/12	2022/10/28	4,000,000,000	2.75	Principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2021 Subordinated Bonds (Second Tranche) (Type I)	21 GUOJUN C2	185112	2021/12/7	2021/12/9	2023/12/9	4,000,000,000	3.09	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N

Section IX Corporate Bonds

Name of bond	Abbreviation	Bond code	Issue date	Interest commencement date	Maturity date	Outstanding amount	Interest Rate (%)	Method of repayment of principal and payment of interests	Place of trading	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Whether there is a risk of the listing and trading of bonds being terminated ? (Y/N)
2021 Subordinated Bonds (Second Tranche) (Type II)	21 GUOJUN C3	185108	2021/12/7	2021/12/9	2024/12/9	2,000,000,000	3.2	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement trading methods	N
2022 Subordinated Bonds (First Tranche) (Type I)	22 GUOJUN C1	185212	2022/1/10	2022/1/12	2024/1/12	2,500,000,000	3.00	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income Products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement Trading methods	N
2022 Subordinated Bonds (First Tranche) (Type II)	22 GUOJUN C2	185222	2022/1/10	2022/1/12	2025/1/12	3,500,000,000	3.17	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income Products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement Trading methods	N
2022 Corporate Bonds (First Tranche) (Type I)	22 GUOJUN G1	185550	2022/3/14	2022/3/16	2025/3/16	2,000,000,000	3.04	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income Products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement Trading methods	N
2022 Corporate Bonds (First Tranche) (Type II)	22 GUOJUN G2	185554	2022/3/14	2022/3/16	2032/3/16	1,400,000,000	3.74	Interest payable on annual basis and principal repayable and accrued interest payable upon maturity	Fixed-income Products platform of the Shanghai Stock Exchange	For professional investors	Bidding, quotation, inquiry and agreement Trading methods	N
Guotai Junan Financial Holdings Guaranteed MTN	GTJA HOLD N2604	40649.hk	2021/4/14	2021/4/21	2026/4/21	USD500,000,000	2.00	Interest payable on semiannual basis and principal repayable and accrued interest payable upon maturity	Hong Kong Stock Exchange	For professional investors	Quotation, inquiry and agreement trading methods	N
Guotai Junan Financial Holdings Guaranteed MTN	GTJA HOLD N2411	40937.hk	2021/11/17	2021/11/24	2024/11/24	USD300,000,000	1.60	Interest payable on semiannual basis and principal repayable and accrued interest payable upon maturity	Hong Kong Stock Exchange	For professional investors	Quotation, inquiry and agreement trading methods	N

Section IX Corporate Bonds

Measures adopted by the Company for the risk of the listing and trading of bonds being terminated

Applicable Not applicable

Overdue and outstanding bonds

Applicable Not applicable

Interest payment of corporate bonds during the Reporting Period

Applicable Not applicable

Name of bond

Interest payment

2020 Corporate Bonds (First Tranche)	Interest was duly paid in January 2021
2018 Corporate Bonds (First Tranche)	Principal and interest were duly paid in March 2021
2020 Corporate Bonds (Second Tranche) (Type I)	Interest was duly paid in March 2021
2018 Corporate Bonds (Second Tranche)	Principal and interest were duly paid in April 2021
2019 Corporate Bonds (First Tranche) (Type I)	Interest was duly paid in April 2021
2019 Corporate Bonds (Second Tranche)	Interest was duly paid in May 2021
2018 Corporate Bonds (Third Tranche) (Type I)	Principal and interest were duly paid in July 2021
2018 Corporate Bonds (Third Tranche) (Type II)	Interest was duly paid in July 2021
2021 Short-term Corporate Bonds (First Tranche) (Type I)	Principal and interest were duly paid in July 2021
2020 Corporate Bonds (Third Tranche)	Interest was duly paid in July 2021
2017 Corporate Bonds (First Tranche) (Type II)	Interest was duly paid in August 2021
2016 Corporate Bonds (Second Tranche) (Type II)	Principal and interest were duly paid in August 2021
2020 Short-term Corporate Bonds (First Tranche)	Principal and interest were duly paid in August 2021
2020 Corporate Bonds (Fourth Tranche)	Interest was duly paid in September 2021
2020 Short-term Corporate Bonds (Second Tranche)	Principal and interest were duly paid in September 2021
2019 Corporate Bonds (Third Tranche)	Interest was duly paid in October 2021
2020 Short-term Corporate Bonds (Third Tranche)	Principal and interest were duly paid in October 2021
2016 Subordinated Bonds (Third Tranche) Type II	Principal and interest were duly paid in November 2021
2020 Corporate Bonds (Fifth Tranche) (Type I)	Interest was duly paid in November 2021
2020 Corporate Bonds (Fifth Tranche) (Type II)	Interest was duly paid in November 2021
2020 Corporate Bonds (Sixth Tranche) (Type I)	Principal and interest were duly paid in December 2021
2020 Corporate Bonds (Sixth Tranche) (Type II)	Interest was duly paid in December 2021
2020 Short-term Corporate Bonds (Fourth Tranche)	Principal and interest were duly paid in December 2021
EUR Floating-rate Bonds (GTJA SEC B2203)	Interest was duly paid in March, June, September and December 2021
Guotai Junan Financial Holdings Guaranteed Bonds (GTJA HOLD B2203)	Interest was duly paid in March and September 2021
Guotai Junan Financial Holdings Guaranteed MTN (GTJA HOLD N2604)	Interest was duly paid in October 2021

Section IX Corporate Bonds

2. The triggering and implementation of the issuer or investor option terms and the investor protection terms

Applicable Not applicable

Please see “XI. Repurchase, sale or redemption of listed securities of the Company and its subsidiaries” in “Section VII Changes in Shares and Particulars of Shareholders” in this report for details.

3. Intermediaries providing services for bond issuance and duration business

Name of intermediary	Office address	Name of signing accountants	Contact persons	Telephone
Essence Securities Co. Ltd.	35/F & Unit A02, 28/F, Anlian Building, No. 4018, Jintian Road, Futian District, Shenzhen	–	ZHUANG Guochun, TANG Jianqiu, LI Zeyan, XIE Fengjie	0755-82825447
CSC Financial Co., Ltd.	Suite 2203, North Tower, Shanghai Stock Exchange Building, 528 Pudong South Road, Shanghai	–	ZHOU Wei, LI Huayun, DONG Yan	021-68801581
Everbright Securities Company Limited	No. 1508 Xinzha Road, Jing’an District, Shanghai	–	HUANG Liang, XING Yiwei	021-22169877 021-22169842
GF Securities Co., Ltd.	16/F, IFC I, No. 8 Century Avenue, Pudong New Area, Shanghai	–	XIE Tian, YAN Jin, MA Qian, LU Yicheng, LOU Heng	020-66338888
Industrial Securities Co., Ltd.	6/F, East Tower, Lilacs International Commercial Center, 36 Changliu Road, Pudong New Area, Shanghai	–	YANG Lingshan	021-38565900
China Merchants Securities Co., Ltd.	26/F, China Merchants Securities Building, No. 111, Fuhua Yi Road, Futian District, Shenzhen	–	CHEN Yujing, PENG Wuxing	0755-82943666
Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.	14/F, Huasheng Building, No. 398 Hankou Road, Shanghai	–	LIU Tingting	021-63229686
Haiwen & Partners	Unit 2605, Kerry Center Tower 1, 1515 Nanjing West Road, Jingan District, Shanghai	–	MOU Jian, XIAO Junyan	021-60435123
KPMG Huazhen LLP	8/F, Tower E2, Oriental Plaza, 1 East Chang’an Avenue, Dongcheng District, Beijing	ZOU Jun, WANG Guobei, YU Jingjing	WANG Guobei, YU Jingjing	021-22122428 021-22122276
Ernst & Young Hua Ming LLP	16/F, Ernst & Young Building, 1 East Chang’an Avenue, Dongcheng District, Beijing	MAO Anning, LI Fei, CHEN Qi	MAO Anning, LI Fei, CHEN Qi	021-22283118 021-22284218

Changes in the above intermediaries

Applicable Not applicable

Section IX Corporate Bonds

4. Use of proceeds as at the end of the Reporting Period

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

Name of bond	Total amount of proceeds	Amount used	Amount unused	Operation of the special account for proceeds	Rectification of illegal use of proceeds	Whether it is consistent with the purpose, use plan and other agreements set out in the prospectus
2017 Corporate Bonds (First Tranche) (Type II)	600,000,000	600,000,000	–	Nil	Nil	Yes
2018 Corporate Bonds (Third Tranche) (Type II)	300,000,000	300,000,000	–	Nil	Nil	Yes
2019 Corporate Bonds (First Tranche) (Type I)	3,000,000,000	3,000,000,000	–	Nil	Nil	Yes
2019 Corporate Bonds (Second Tranche)	2,900,000,000	2,900,000,000	–	Nil	Nil	Yes
2019 Corporate Bonds (Third Tranche)	2,500,000,000	2,500,000,000	–	Nil	Nil	Yes
2020 Corporate Bonds (First Tranche)	4,000,000,000	4,000,000,000	–	Nil	Nil	Yes
2020 Corporate Bonds (Second Tranche) (Type I)	4,000,000,000	4,000,000,000	–	Nil	Nil	Yes
2020 Corporate Bonds (Third Tranche)	5,000,000,000	5,000,000,000	–	Nil	Nil	Yes
2020 Corporate Bonds (Fourth Tranche)	4,000,000,000	4,000,000,000	–	Nil	Nil	Yes
2020 Corporate Bonds (Fifth Tranche) (Type I)	3,900,000,000	3,900,000,000	–	Nil	Nil	Yes
2020 Corporate Bonds (Fifth Tranche) (Type II)	2,000,000,000	2,000,000,000	–	Nil	Nil	Yes
2020 Corporate Bonds (Sixth Tranche) (Type II)	2,900,000,000	2,900,000,000	–	Nil	Nil	Yes
2021 Short-term Corporate Bonds (First Tranche) (Type II)	4,000,000,000	4,000,000,000	–	Nil	Nil	Yes
2021 Subordinated Bonds (First Tranche)	3,000,000,000	3,000,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (First Tranche) (Type I)	4,000,000,000	4,000,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (First Tranche) (Type II)	2,000,000,000	2,000,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (Second Tranche) (Type I)	3,000,000,000	3,000,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (Second Tranche) (Type II)	5,000,000,000	5,000,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (Third Tranche) (Type I)	2,900,000,000	2,900,000,000	–	Nil	Nil	Yes
2021 Short-term Corporate Bonds (Second Tranche)	5,000,000,000	5,000,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (Fourth Tranche) (Type I)	1,900,000,000	1,900,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (Fourth Tranche) (Type II)	6,100,000,000	6,100,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (Fifth Tranche) (Type I)	2,800,000,000	2,800,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (Fifth Tranche) (Type II)	4,200,000,000	4,200,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (Sixth Tranche)	3,000,000,000	3,000,000,000	–	Nil	Nil	Yes
2021 Short-term Corporate Bonds (Third Tranche)	4,800,000,000	4,800,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (Seventh Tranche) (Type I)	4,400,000,000	4,400,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (Seventh Tranche) (Type II)	3,400,000,000	3,400,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (Eighth Tranche) (Type I)	3,300,000,000	3,300,000,000	–	Nil	Nil	Yes
2021 Corporate Bonds (Eighth Tranche) (Type II)	3,400,000,000	3,400,000,000	–	Nil	Nil	Yes
2021 Short-term Corporate Bonds (Fourth Tranche) (Type I)	4,000,000,000	4,000,000,000	–	Nil	Nil	Yes
2021 Short-term Corporate Bonds (Fourth Tranche) (Type II)	4,000,000,000	4,000,000,000	–	Nil	Nil	Yes
2021 Subordinated Bonds (Second Tranche) (Type I)	4,000,000,000	4,000,000,000	–	Nil	Nil	Yes
2021 Subordinated Bonds (Second Tranche) (Type II)	2,000,000,000	2,000,000,000	–	Nil	Nil	Yes
EUR Floating-rate Bonds (GTJA SEC B2203)	EUR 255,000,000	EUR 255,000,000	–	Nil	Nil	Yes
Guotai Junan Financial Holdings Guaranteed Bonds (GTJA HOLD B2203)	USD 500,000,000	USD 500,000,000	–	Nil	Nil	Yes
Guotai Junan Financial Holdings Guaranteed MTN (GTJA HOLD N2604)	USD 500,000,000	USD 500,000,000	–	Nil	Nil	Yes
Guotai Junan Financial Holdings Guaranteed MTN (GTJA HOLD N2411)	USD 300,000,000	USD 300,000,000	–	Nil	Nil	Yes

Section IX Corporate Bonds

The progress and operational benefits of proceeds used for construction projects

Applicable Not applicable

Explanation on changes in the purpose of the above proceeds during the Reporting Period

Applicable Not applicable

Other explanations

Applicable Not applicable

5. Adjustment of credit ratings

Applicable Not applicable

Other Information

Applicable Not applicable

6. The implementation of guarantees, debt repayment plan and other debt repayment guarantee measures, as well as such changes and effect thereof during the Reporting Period

Applicable Not applicable

Current status	Implementation	Change	Status after change	Reason for change	Whether the change is approved by competent authority	Impact of the change on the rights and interests of bond investors
Guotai Junan Financial Holdings Guaranteed Bonds (GTJA HOLD B2203)	Normal	Nil	-	-	-	-
Guotai Junan Financial Holdings Guaranteed MTN (GTJA HOLD N2604)	Normal	Nil	-	-	-	-
Guotai Junan Financial Holdings Guaranteed MTN (GTJA HOLD N2411)	Normal	Nil	-	-	-	-

Section IX Corporate Bonds

7. Other information of the corporate bonds

Applicable Not applicable

(III) DEBT FINANCING INSTRUMENTS FOR NON-FINANCIAL BUSINESSES IN THE INTERBANK BONDS MARKET

Applicable Not applicable

(IV) LOSSES RECORDED IN THE CONSOLIDATED STATEMENTS OF THE COMPANY FOR THE REPORTING PERIOD HAVE EXCEEDED MORE THAN 10% OF THE NET ASSETS AT THE END OF THE PREVIOUS YEAR

Applicable Not applicable

(V) INTEREST-BEARING DEBTS OTHER THAN BONDS OVERDUE AS AT THE END OF THE REPORTING PERIOD

Applicable Not applicable

(VI) IMPACT ON THE RIGHTS AND INTERESTS OF BOND INVESTORS DUE TO VIOLATIONS OF LAWS AND REGULATIONS, THE ARTICLES OF ASSOCIATION, THE POLICY ON INFORMATION DISCLOSURE MANAGEMENT AND THE AGREEMENTS OR COMMITMENTS SET OUT IN THE BOND PROSPECTUS DURING THE REPORTING PERIOD

Applicable Not applicable

Section IX Corporate Bonds

(VII) ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PAST TWO YEARS AS AT THE END OF THE REPORTING PERIOD

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

Major indicators	2021	2020	Increase/decrease for the Reporting Period as compared with the corresponding period of last year (%)	Reasons for change
Net profit after deducting non-recurring gains and losses	13,531,044,928	10,723,788,379	26.18	Mainly due to an increase in income from wealth management business, an increase in investment income from trading financial assets and a decrease in cost to income ratio
Current ratio	144	135	Increase by 9 percentage points	
Quick ratio	144	135	Increase by 9 percentage points	
Gearing ratio (%)	75.64	73.19	Increase by 2.45 percentage points	
Debt-to-EBITDA ratio	0.06	0.06	–	
Interest coverage ratio	2.88	2.69	7.06	
Cash interest coverage ratio	2.38	3.96	-39.90	Mainly due to a decrease in net cash flows from operating activities and an increase in cash interest expenses
EBITDA interest coverage ratio	3.00	2.84	5.63	
Loan repayment ratio (%)	100	100	–	
Interest repayment ratio (%)	100	100	–	

Section IX Corporate Bonds

II. CONVERTIBLE CORPORATE BONDS

Applicable Not applicable

(I) Issuance of Convertible Bonds

Applicable Not applicable

(II) Convertible Bond holders and guarantors during the Reporting Period

Applicable Not applicable

Name of convertible corporate bond	GTJA Bond	
No. of Convertible Bond holders at the end of the period	4,332	
Guarantors of Convertible Bonds	—	
Top ten Convertible Bond holders are as below:		
	Bonds held at the end of the period (RMB)	Percentage of bonds held (%)
Name of convertible corporate bond holders		
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial and Commercial Bank of China)	1,095,637,000	15.67
Industrial and Commercial Bank of China Limited – GF Multi-Factor Flexible Allocation Hybrid Securities Investment Fund (中國工商銀行股份有限公司 – 廣發多因子靈活配置混合型證券投資基金)	451,891,000	6.46
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Everbright Securities Co., Ltd)	334,449,000	4.78
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of Communications)	245,492,000	3.51
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Construction Bank of China)	241,346,000	3.45
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of China)	187,031,000	2.68
Agricultural Bank of China Limited – Penghua Convertible Bond Securities Investment Fund (中國農業銀行股份有限公司 – 鵬華可轉債債券型證券投資基金)	186,257,000	2.66
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Agricultural Bank of China)	181,274,000	2.59
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Securities Co., Ltd.)	110,528,000	1.58
Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Merchants Bank Co., Ltd.)	110,387,000	1.58

Section IX Corporate Bonds

(III) Change of Convertible Bonds during the Reporting Period

Applicable Not applicable

Unit: yuan Currency: RMB

Name of convertible corporate bonds	Before change	Increase/decrease		Sold back	After change
		Converted	Redeemed		
GTJA Bond	6,990,206,000	-25,000	-	-	6,990,181,000

Aggregated conversion of convertible bonds during the Reporting Period

Applicable Not applicable

Name of convertible corporate bonds	GTJA Bond
Conversion amount during the Reporting Period (RMB)	25,000
Number of converted shares during the Reporting Period (shares)	1,312
Aggregated number of converted shares (shares)	515,723
Aggregated number of converted shares as a percentage of the total number of issued shares of the Company before conversion (%)	0.005918
Amount of convertible bonds not yet converted (RMB)	6,990,181,000
Number of convertible bonds not yet converted as a percentage of the total number of issued convertible bonds (%)	99.8597

Section IX Corporate Bonds

(IV) Adjustments of the conversion prices

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

Name of convertible corporate bonds		GTJA Bond			
Effective date of adjusted conversion price	Adjusted conversion price	Disclosure date	Media of disclosure	Reasons of adjustments	
2018/6/29	RMB19.80 per share	2018/6/22	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company distributed a dividend of RMB0.4 per share for the year of 2017	
2019/4/19	RMB19.67 per share	2019/4/18	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company placed 194,000,000 new H Shares in April 2019	
2019/8/12	RMB19.40 per share	2019/8/5	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company distributed a dividend of RMB0.275 per share for the year of 2018	
2020/8/12	RMB19.01 per share	2020/8/5	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company distributed a dividend of RMB0.39 per share for the year of 2019	
2021/8/20	RMB18.45 per share	2021/8/12	China Securities Journal, Shanghai Securities News, Security Times and Securities Daily	The Company distributed a dividend of RMB0.56 per share for the year of 2020	
Conversion price as of the end of the Reporting Period			RMB18.45 per share		

Section IX Corporate Bonds

(V) Information on the Company's liability, credit changes and cash arrangement for debt repayment next year

Applicable Not applicable

As at the end of 2021, the Group's total assets amounted to RMB791.273 billion, with a gearing ratio of 75.64%. Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. issued the Report on the Updated Rating of the Public Issuance of A Share Convertible Corporate Bonds of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司公開發行 A 股可轉換公司債券跟蹤評級報告》) in respect of the issuance of the A-Share Convertible Bonds on 21 May 2021, and maintained the credit rating of the Company as AAA and the credit rating of the Convertible Bonds as AAA with a stable outlook.

The major source of funds available for the Company to settle the principal and interests of the A-Share Convertible Bonds in the future will be the cash flow generated from the operating activities of the Company. In the past three years, the Company's major businesses remained stable with strong financial condition, thus the Company has adequate cash flow generated from the operating activities and relatively strong repayment capability.

(VI) Other information on Convertible Bonds

Applicable Not applicable

Section X Independent Auditor's Report and Notes to Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Guotai Junan Securities Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Guotai Junan Securities Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 229 to 376, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Section X Independent Auditor's Report and Notes to Financial Statements

The Key Audit Matter

Consolidation of structured entities

Refer to Note 28 to the consolidated financial statements and the accounting policies in Note 2.2.

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring a wealth management product, an investment fund, an asset management scheme, a trust scheme or an asset-backed security.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its exposure to and ability to influence its own returns from the entity.

In certain circumstances, the Group may be required to consolidate a structured entity even though it has no equity interest therein.

The factors which management needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and need to be considered collectively.

How the matter was addressed in our audit

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

- making enquiries of management and inspecting relevant documents used by management relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has an appropriate process in this regard;
- selecting a sample of structured entities for each key product type and performing the following procedures for each item selected:
 - inspecting the related contracts and internal documents to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;

Section X Independent Auditor's Report and Notes to Financial Statements

The Key Audit Matter

How the matter was addressed in our audit

Consolidation of structured entities

Refer to Note 28 to the consolidated financial statements and the accounting policies in Note 2.2.

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

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

Section X Independent Auditor's Report and Notes to Financial Statements

The Key Audit Matter

How the matter was addressed in our audit

Loss allowances of financial assets measured at amortised cost

Refer to Note 32, 39 to the consolidated financial statements and the accounting policies in Note 3.12.

The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default, economic indicators for forward-looking adjustment, impact of the COVID-19 and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for financial assets measured at amortised cost are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience and other adjustment factors.

Our audit procedures to assess loss allowances of financial assets measured at amortised cost included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of financial assets measured at amortised cost, the credit grading process and the measurement of loss allowances;
- assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other management adjustments;

Section X Independent Auditor's Report and Notes to Financial Statements

The Key Audit Matter

How the matter was addressed in our audit

Loss allowances of financial assets measured at amortised cost

Refer to Note 32, 39 to the consolidated financial statements and the accounting policies in Note 3.12.

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

We identified loss allowances of financial assets measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.

- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the financial asset list used by management to assess the allowances for impairment with the general ledger; selecting financial assets and comparing investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the asset list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with external sources;
- for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development, taking into consideration the impact of COVID-19;

Section X Independent Auditor's Report and Notes to Financial Statements

The Key Audit Matter

How the matter was addressed in our audit

Loss allowances of financial assets measured at amortised cost

Refer to Note 32, 39 to the consolidated financial statements and the accounting policies in Note 3.12.

- evaluating the validity of management's assessment on whether the credit risk of the financial assets has, or has not, increased significantly since initial recognition and whether the financial assets is credit-impaired by selecting risk-based samples. On a sample basis, we checked the financial assets overdue information, understanding the credit situation and the collateral to loan ratio of the borrowers;
- for selected samples of the financial assets measured at amortised cost that are credit-impaired, evaluating management's assessment of the value of the collateral held. We also evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms;
- recalculating the amount of credit loss allowance for 12 months and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of financial assets measured at amortised cost where the credit risk has not, or has, increased significantly since initial recognition, respectively; and
- evaluating whether the disclosures on impairment of financial assets measured at amortised cost meet the disclosure requirements of prevailing accounting standards.

Section X Independent Auditor's Report and Notes to Financial Statements

The Key Audit Matter

Assessing the fair value of financial instruments

Refer to Note 65 to the consolidated financial statements and the accounting policies in Note 3.3.

The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs.

Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of certain level 3 financial instruments, estimates need to be developed which can involve significant management judgement.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of financial instruments included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification and valuation model approval for financial instruments;
- assessing the fair values of, for a sample of financial instruments traded in active markets by comparing the fair values applied by the Group with publicly available market data;
- reading investment agreements entered into during the current year, for a sample of level 2 and level 3 financial instruments to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments;
- engaging our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current market practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; and
- assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Section X Independent Auditor's Report and Notes to Financial Statements

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Section X Independent Auditor's Report and Notes to Financial Statements

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

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

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

Section X Independent Auditor's Report and Notes to Financial Statements

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Siu Tung.

KPMG

Certified Public Accountants

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

30 March 2022

Section X Independent Auditor's Report and Notes to Financial Statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

(Amounts expressed in thousands of RMB unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
Revenue			
Fee and commission income	6	19,880,642	16,719,616
Interest income	7	15,752,963	14,495,682
Net investment gains	8	10,300,204	8,901,197
Total revenue		45,933,809	40,116,495
Gain on losing control of a subsidiary	9	1,138,769	—
Other income and gains	10	9,338,609	6,328,845
Total revenue and other income		56,411,187	46,445,340
Fee and commission expenses	11	(3,930,995)	(2,580,447)
Interest expenses	12	(10,162,410)	(8,804,654)
Staff costs	13	(10,286,478)	(9,250,380)
Depreciation and amortization expenses	14	(1,267,222)	(1,371,553)
Tax and surcharges		(190,678)	(168,819)
Other operating expenses and costs	15	(11,658,102)	(8,240,709)
Provision for impairment losses		(721)	(62)
Credit loss expense	16	(341,023)	(1,312,297)
Total expenses		(37,837,629)	(31,728,921)
Operating profit		18,573,558	14,716,419
Share of profits of associates and joint ventures		538,723	155,525
Profit before income tax		19,112,281	14,871,944
Income tax expense	17	(3,809,739)	(3,134,874)

The accompanying notes form part of the consolidated financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

		Year ended 31 December	
	Note	2021	2020
Profit for the year		<u>15,302,542</u>	<u>11,737,070</u>
Attributable to:			
Equity holders of the Company		15,013,480	11,122,099
Non-controlling interests		<u>289,062</u>	<u>614,971</u>
Total		<u>15,302,542</u>	<u>11,737,070</u>
Earnings per share attributable to ordinary equity holders of the Company (expressed in Renminbi yuan per share)	21		
— Basic		<u>1.65</u>	<u>1.20</u>
— Diluted		<u>1.62</u>	<u>1.19</u>

The accompanying notes form part of the consolidated financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2021	2020
Profit for the year	15,302,542	11,737,070
Other comprehensive income for the year		
Other comprehensive income that may be reclassified to profit or loss:		
Debt instruments at fair value through other comprehensive income		
— Net changes in fair value	369,144	67,425
— Changes in allowance for expected credit losses	114,265	4,560
— Reclassified to profit or loss	(241,046)	(586,392)
— Income tax impact	(65,753)	129,474
Share of other comprehensive income of associates and joint ventures		
— Share of other comprehensive income	68,431	(56)
— Reclassified to profit or loss	—	—
Exchange differences on translation of financial statements in foreign currencies	(307,169)	(815,369)
Total items that may be reclassified to profit or loss	(62,128)	(1,200,358)
Other comprehensive income that will not be reclassified to profit or loss:		
Equity instruments at fair value through other comprehensive income		
— Net changes in fair value	(608,843)	15,748
— Income tax impact	150,163	(3,937)
Share of other comprehensive income of associates and joint ventures		
— Share of other comprehensive income	271,290	(98,117)
— Income tax impact	(66,968)	24,529
Total items that will not be reclassified to profit or loss	(254,358)	(61,777)
Other comprehensive income for the year, net of tax	(316,486)	(1,262,135)
Total comprehensive income for the year	14,986,056	10,474,935
Attributable to:		
Equity holders of the Company	14,786,670	10,165,609
Non-controlling interests	199,386	309,326
Total	14,986,056	10,474,935

The accompanying notes form part of the consolidated financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Amounts expressed in thousands of RMB unless otherwise stated)

		As at 31 December	
	Note	2021	2020
Non-current assets			
Property and equipment	22	2,940,786	5,024,307
Investment property	23	973,275	—
Right-of-use assets	24	2,486,964	2,490,743
Goodwill	25	20,896	599,812
Other intangible assets	26	662,890	1,677,813
Investments in associates	29	7,434,717	1,169,765
Investments in joint ventures	29	5,492,824	2,844,778
Debt instruments at fair value through other comprehensive income	30	55,034,775	65,511,217
Equity instruments at fair value through other comprehensive income	31	2,480,358	17,637,062
Financial assets held under resale agreements	32	1,893,344	2,616,287
Financial assets at fair value through profit or loss	33	19,946,824	26,628,714
Refundable deposits	34	40,795,692	29,415,401
Deferred tax assets	35	1,845,465	1,761,582
Other non-current assets	36	103,751	691,128
Total non-current assets		142,112,561	158,068,609
Current assets			
Accounts receivable	37	9,312,022	7,230,325
Other current assets	38	2,911,292	2,983,541
Margin accounts receivable	39	109,287,307	99,429,347
Debt instruments at fair value through other comprehensive income	30	11,803,641	6,981,585
Financial assets held under resale agreements	32	57,689,409	53,245,514
Financial assets at fair value through profit or loss	33	264,438,237	202,097,430
Derivative financial assets	40	4,157,399	2,214,226
Clearing settlement funds	41	6,726,022	6,049,697
Cash held on behalf of brokerage customers	42	151,178,698	139,323,440
Cash and bank balances	43	31,656,227	25,275,458
Total current assets		649,160,254	544,830,563
Total assets		791,272,815	702,899,172

The accompanying notes form part of the consolidated financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

		As at 31 December	
	<i>Note</i>	2021	2020
Current liabilities			
Loans and borrowings	44	4,340,789	9,769,331
Short-term debt instruments	45	46,021,302	48,724,368
Placements from other financial institutions	46	12,108,833	13,810,630
Accounts payable to brokerage customers	47	172,483,608	157,408,158
Employee benefits payable	48	8,424,175	7,568,772
Income tax payable		2,015,777	1,572,828
Financial assets sold under repurchase agreements	49	164,884,092	144,721,315
Financial liabilities at fair value through profit or loss	50	33,950,820	30,304,839
Derivative financial liabilities	40	9,752,873	5,526,472
Bonds payable	51	32,246,542	24,744,699
Lease liabilities	24	510,987	466,697
Other current liabilities	52	43,915,745	25,405,255
		<u>530,655,543</u>	<u>470,023,364</u>
Total current liabilities			
		<u>118,504,711</u>	<u>74,807,199</u>
Net current assets			
		<u>260,617,272</u>	<u>232,875,808</u>
Total assets less current liabilities			
Non-current liabilities			
Bonds payable	51	94,520,556	66,947,715
Lease liabilities	24	1,429,121	1,486,932
Deferred tax liabilities	35	111,309	139,059
Financial liabilities at fair value through profit or loss	50	13,538,712	17,789,620
Other non-current liabilities	53	380,982	274,664
		<u>109,980,680</u>	<u>86,637,990</u>
Total non-current liabilities			
		<u>150,636,592</u>	<u>146,237,818</u>
Net assets			

The accompanying notes form part of the consolidated financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

		As at 31 December	
	Note	2021	2020
Equity			
Share capital	54	8,908,450	8,908,448
Other equity instruments	55	11,071,656	11,071,661
Treasury shares		(638,820)	(776,909)
Reserves	56	73,650,165	71,645,598
Retained profits	56	54,132,214	46,504,462
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		147,123,665	137,353,260
Non-controlling interests		3,512,927	8,884,558
		<hr/>	<hr/>
Total equity		150,636,592	146,237,818
		<hr/>	<hr/>

Approved and authorized for issue by the Board of Directors on 30 March 2022.

He Qing

Chairman

Wang Song

Executive Director

The accompanying notes form part of the consolidated financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

(Amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to equity shareholders of the Company											
	Reserves										Non- controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Investment				Treasury shares	Retained profits	Total		
				revaluation reserve	Translation reserve	Surplus reserve	General reserve					
At 31 December 2020	8,908,448	11,071,661	45,571,238	(258,237)	(289,853)	7,172,530	19,449,920	(776,909)	46,504,462	137,353,260	8,884,558	146,237,818
Profit for the year	-	-	-	-	-	-	-	-	15,013,480	15,013,480	289,062	15,302,542
Other comprehensive income for the year	-	-	-	(1,532)	(225,278)	-	-	-	-	(226,810)	(89,676)	(316,486)
Total comprehensive income for the year	-	-	-	(1,532)	(225,278)	-	-	-	15,013,480	14,786,670	199,386	14,986,056
Issue of perpetual bonds	-	-	-	-	-	-	-	-	-	-	-	-
Redemption of perpetual bonds	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation to general reserve	-	-	-	-	-	-	2,617,572	-	(2,617,572)	-	-	-
Dividends (Note 20)	-	-	-	-	-	-	-	-	(4,983,132)	(4,983,132)	-	(4,983,132)
Distribution to other equity instrument holders (Note 20)	-	-	-	-	-	-	-	-	(402,500)	(402,500)	-	(402,500)
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(212,242)	(212,242)
Other comprehensive income that has been reclassified to retained profits	-	-	-	(185,354)	-	-	-	-	185,354	-	-	-
Conversion of convertible bonds	2	(5)	27	-	-	-	-	-	-	24	-	24
Equity transactions with minority stockholder	-	-	-	-	-	-	-	-	-	-	10,471,005	10,471,005
Acquisition of treasury shares	-	-	-	-	-	-	-	(12,588)	-	(12,588)	-	(12,588)
Equity Settled share-based transactions	-	-	207,170	-	-	-	-	150,677	-	357,847	-	357,847
Lost control of a subsidiary	-	-	-	100,491	-	-	(532,613)	-	432,122	-	(15,819,404)	(15,819,404)
Others	-	-	24,084	-	-	-	-	-	-	24,084	(10,376)	13,708
At 31 December 2021	<u>8,908,450</u>	<u>11,071,656</u>	<u>45,802,519</u>	<u>(344,632)</u>	<u>(515,131)</u>	<u>7,172,530</u>	<u>21,534,879</u>	<u>(638,820)</u>	<u>54,132,214</u>	<u>147,123,665</u>	<u>3,512,927</u>	<u>150,636,592</u>

The accompanying notes form part of the consolidated financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

	Attributable to equity shareholders of the Company												
	Share capital	Other equity instruments	Reserves							Retained profits	Total	Non-controlling interests	Total equity
			Capital reserve	Investment revaluation reserve	Translation reserve	Surplus reserve	General reserve	Treasury shares					
At 31 December 2019	8,907,948	16,129,799	46,208,639	(40,809)	290,279	7,172,530	17,497,137	—	41,335,967	137,501,490	8,592,333	146,093,823	
Profit for the year	—	—	—	—	—	—	—	—	11,122,099	11,122,099	614,971	11,737,070	
Other comprehensive income for the year	—	—	—	(376,358)	(580,132)	—	—	—	—	(956,490)	(305,645)	(1,262,135)	
Total comprehensive income for the year	—	—	—	(376,358)	(580,132)	—	—	—	11,122,099	10,165,609	309,326	10,474,935	
Issue of perpetual bonds	—	4,943,396	—	—	—	—	—	—	—	4,943,396	—	4,943,396	
Redemption of perpetual bonds	—	(10,000,000)	—	—	—	—	—	—	—	(10,000,000)	—	(10,000,000)	
Appropriation to general reserve	—	—	—	—	—	—	1,952,783	—	(1,952,783)	—	—	—	
Dividends (Note 20)	—	—	—	—	—	—	—	—	(3,439,391)	(3,439,391)	—	(3,439,391)	
Distribution to other equity instrument holders (Note 20)	—	—	—	—	—	—	—	—	(402,500)	(402,500)	—	(402,500)	
Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(203,777)	(203,777)	
Other comprehensive income that has been reclassified to retained profits	—	—	—	158,930	—	—	—	—	(158,930)	—	—	—	
Conversion of convertible bonds	500	(1,534)	10,068	—	—	—	—	—	—	9,034	—	9,034	
Equity transactions with minority stockholder	—	—	—	—	—	—	—	—	—	—	203,735	203,735	
Acquisition of treasury shares	—	—	—	—	—	—	—	(1,543,209)	—	(1,543,209)	—	(1,543,209)	
Equity Settled share-based transactions	—	—	(679,534)	—	—	—	—	766,300	—	86,766	—	86,766	
Others	—	—	32,065	—	—	—	—	—	—	32,065	(17,059)	15,006	
At 31 December 2020	8,908,448	11,071,661	45,571,238	(258,237)	(289,853)	7,172,530	19,449,920	(776,909)	46,504,462	137,353,260	8,884,558	146,237,818	

The accompanying notes form part of the consolidated financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

(Amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December	
	2021	2020
Cash flows from operating activities:		
Profit before income tax	19,112,281	14,871,944
Adjustments for:		
Interest expenses	10,162,410	8,804,654
Share of profits of associates and joint ventures	(538,723)	(155,525)
Depreciation and amortization expenses	1,267,222	1,371,553
Provision for impairment losses	721	62
Credit loss expense	341,023	1,312,297
Equity-settled share-based payment expenses	307,475	107,908
Net gains on disposal of property and equipment	(28,445)	(20,774)
Foreign exchange losses/(gains)	71,625	(61,556)
Net realized gains from financial instruments at fair value through other comprehensive income	(234,192)	(586,392)
Lost control of a subsidiary	(1,138,769)	—
Gain on disposal of subsidiaries, associates and joint ventures	—	(175,811)
Dividend income and other income from financial assets at fair value through other comprehensive income	(2,921,241)	(2,378,495)
Interest income from time deposits, loans and receivables	(1,054,812)	(751,152)
Unrealized fair value changes in financial instruments at fair value through profit or loss	(52,363)	(2,133,395)
Unrealized fair value changes in derivatives	(306,205)	1,700,108
	24,988,007	21,905,426

The accompanying notes form part of the consolidated financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

	Year ended 31 December	
	2021	2020
Cash flows from operating activities:		
Increase in accounts payable to brokerage customers	33,012,192	21,498,209
Increase in financial assets sold under repurchase agreements	27,663,593	18,130,148
Increase in other liabilities	19,511,333	49,025,615
Increase in employee benefits payable	1,213,646	1,883,666
Decrease in financial assets held under resale agreements	822,490	5,302,950
Increase in financial instruments at fair value through profit or loss and derivative financial instruments	(52,065,981)	(33,830,468)
Increase in cash held on behalf of brokerage customers	(26,538,131)	(36,789,617)
Increase in margin accounts receivable	(18,225,579)	(27,816,991)
Increase in refundable deposits	(14,536,660)	(16,477,459)
Increase in accounts receivable, other current assets and other non-current assets	(2,796,538)	(4,102,330)
(Decrease)/increase in placements from other financial institutions	(1,687,556)	4,321,986
Cash (used in)/generated from operations	(8,639,184)	3,051,135
Income taxes paid	(3,141,908)	(3,213,575)
Interest paid	(5,006,196)	(4,130,934)
Net cash used in operating activities	(16,787,288)	(4,293,374)

The accompanying notes form part of the consolidated financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

	Year ended 31 December	
	2021	2020
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income and other investments	47,596,773	99,734,928
Dividends and interest received from financial assets at fair value through other comprehensive income and other investments	3,955,218	3,248,324
Proceeds from disposal of property and equipment, other intangible assets and other non-current assets	11,404	54,361
Proceeds from disposal of subsidiaries, associates and joint ventures	—	685,085
Purchases of financial assets at fair value through other comprehensive income and other investments	(46,464,838)	(125,307,240)
Purchases of property and equipment, other intangible assets and other non-current assets	(853,839)	(796,343)
Lost control of a subsidiary	(4,024,369)	—
Net cash generated from/(used in) investing activities	<u>220,349</u>	<u>(22,380,885)</u>

The accompanying notes form part of the consolidated financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

		Year ended 31 December	
	Note	2021	2020
Cash flows from financing activities:			
Proceeds from issuance of short-term debt instruments		69,786,347	99,390,441
Proceeds from loans and borrowings		65,641,053	10,963,243
Proceeds from issuance of bonds payable		65,457,129	39,553,422
Proceeds from issuance of shares upon placement by a subsidiary		10,468,020	201,056
Cash received from restricted share Incentive scheme of A shares		79,500	603,560
Proceeds from issuance of a perpetual bond		—	4,943,396
Repayment of debt securities issued		(98,709,530)	(85,671,134)
Repayment of loans and borrowings		(73,423,960)	(11,056,795)
Dividends paid		(5,848,030)	(4,437,259)
Interest paid		(4,317,224)	(4,147,089)
Capital element of lease rentals paid		(522,392)	(585,848)
Interest element of lease rentals paid		(78,149)	(88,946)
Purchase of treasury shares		(12,588)	(1,543,209)
Redemption of perpetual debt instrument		—	(10,000,000)
Cash used in other financing activities		(80,000)	(40,000)
Net cash generated from financing activities		28,440,176	38,084,838
Net increase in cash and cash equivalents		11,873,237	11,410,579
Cash and cash equivalents at the beginning of the year		56,823,676	45,771,060
Effect of foreign exchange rate changes		(52,429)	(357,963)
Cash and cash equivalents at the end of the year	57(a)	68,644,484	56,823,676

The accompanying notes form part of the consolidated financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2021

(Amounts expressed in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION

On 25 September 1992, with the approval of the People's Bank of China (the "PBOC"), Guotai Securities Co., Ltd. (國泰證券有限公司) was established in Shanghai, the People's Republic of China (the "PRC"). On 12 October 1992, with the approval of the PBOC, Junan Securities Co., Ltd. (君安證券有限責任公司) was established in Shenzhen, the PRC. On 20 May 1999, as approved by the China Securities Regulatory Commission (the "CSRC"), Guotai Securities Co., Ltd. merged with Junan Securities Co., Ltd. to set up a new company, Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (the "Company") in Shanghai, the PRC. On 13 August 2001, the Company spun off its non-security business and related assets and liabilities to a newly established company, and continued to use the name of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司).

The Company publicly issued A shares and was listed on the Shanghai Stock Exchange on 26 June 2015, with the stock code 601211. On 11 April 2017, the Company issued H shares which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), with the stock code 02611.

The registered office of the Company is located at No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC.

The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment consultation, the financial advisory business relating to securities trading and securities investment, margin financing and securities lending, the agency sale of securities investment funds, the agency sale of financial products, introducing brokerage for futures companies, asset management, commodity futures brokerage, financial futures brokerage, futures investment consulting, equity investment, venture capital, investment management, investment consultation and other business activities approved by the CSRC.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

Section X Independent Auditor's Report and Notes to Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Section X Independent Auditor's Report and Notes to Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Basis of consolidation *(continued)*

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 Changes in accounting policies and disclosures

The Group has initially adopted a number of new standards which are effective from 1 January 2021 and they do not have a material effect on the Group's financial statements.

The Group has initially adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) from 1 January 2021.

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. The amendments do not have a significant impact on this interim financial report as the Group's majority London Interbank Best Offering Rate ("LIBOR") linked financial assets, liabilities and derivative contracts would mature before LIBOR's cessation date on 30 June 2023.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Investments in associates and joint ventures *(continued)*

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

3.2 Business combinations and goodwill

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional 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.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Business combinations and goodwill *(continued)*

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts that are financial liabilities of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Business combinations and goodwill *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

3.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; and

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.4 Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.6 Property and equipment and depreciation

Property and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.26%-3.20%
Leasehold improvements	Over the shorter of the remaining lease terms and 5 years
Machinery	8.64% -19.20%
Electronic equipment	19.00%-50.00%
Communication equipment	10.56%-32.00%
Motor vehicles	9.50%-32.00%
Others	9.50%-32.00%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for using the cost model and stated in the financial statements at cost less accumulated depreciation, and impairment losses (see Note 3.4). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

	Estimated useful lives	Estimated residual values	Depreciation rates
Buildings	30-42 years	4.0%-5.0%	2.26%-3.20%

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

3.8 Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, whether there is any indicator of impairment or not. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Useful lives of each category of intangible assets are as follows:

	Useful lives
Trading seats rights	Indefinite
Securities and futures brokerage qualification	Indefinite
Software	5 years

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.9 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.9 Leases *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases 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 leases of low-value assets to leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately.

3.11 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.12 Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "lifetime ECL").

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group assesses the internal and external credit ratings of the debt investments.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Impairment of financial assets *(continued)*

General approach *(continued)*

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full after taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs;

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs;

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Purchased or originated credit-impaired (“POCI”) assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted effective interest rate. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities measured at amortized cost.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term debt instruments, placements from other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Financial liabilities *(continued)*

Subsequent measurement *(continued)*

Financial liabilities at amortized cost

After initial recognition, interest-bearing financial liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

3.14 Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.15 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.16 Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

3.17 Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognized in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase are recognized as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.18 Accounts payable to brokerage customers

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognizes the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of purchased securities exceeds that of sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of sold securities exceeds that of purchased securities, accounts payable to brokerage customers increase by the difference after deducting the withholding stamp duty and commission.

3.19 Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for short-selling of securities, for which the customers provide the Group with collateral.

Margin financing services

The Group recognizes margin financing services to customers as margin accounts receivable, and recognizes the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivables is determined with reference to the policy of provision for impairment of financial assets measured at amortized cost.

Securities lending services

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognized as interest revenue according to the securities lending agreement. The securities transferred under the securities lending services are not derecognized.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.20 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned by using specific identification of their individual costs. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3.21 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

3.22 Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in interest expense in the statement of profit or loss.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general policy for provisions above; and (ii) the amount initially recognized less, when appropriate, the amount of income recognized in accordance with the policy for revenue recognition.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.23 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.23 Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.24 Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

3.25 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.25 Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Securities brokerage and investment consulting business

Income from the securities brokerage is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognized when the related services are rendered.

Income from the investment consulting business is recognized when the relevant transactions have been arranged or the relevant services have been rendered.

(b) Underwriting and sponsorship business

Income from the underwriting and sponsorship business is recognized when the obligation of underwriting or sponsoring is completed.

(c) Asset management business

Income from asset management business is recognized when contingent criteria associated are met.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.25 Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

(d) Other business

Income from other business is recognized when control of goods or services is transferred to the customers.

3.26 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

3.27 Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3.28 Contract costs

Other than the costs which are capitalized as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized. Other contract costs are expensed as incurred.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.29 Expenses recognition

Commission expenses

Commission expenses relate mainly to transactions, which are recognized as expenses when the services are received.

Interest expenses

Interest expenses are recognized based on the amortized cost and at the effective interest rate applicable.

Other expenses

Other expenses are recognized on an accrual basis.

3.30 Fiduciary wealth management

The Group's fiduciary wealth management business includes targeted asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

3.31 Employee benefits

Employee benefits refer to all forms of consideration and other related expenses except share-based payments given by the Group in exchange for services rendered by employees. The employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits (Defined contribution plan)

The Group participates in a defined contribution plan in which the employees benefit from pensions and unemployment insurance managed by the government, and annuity plans managed by the Group. Such expenditure is charged to the statement of profit or loss in the period when it is incurred.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.31 Employee benefits *(continued)*

Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

Other long-term employee benefits

Other long-term employee benefits are applicable to the rules on post-employment benefits, to recognize their net liabilities or net assets, while the changes are recorded in current profit or loss or related asset cost.

Share-based payments

(i) Accounting treatment of cash-settled share-based payments

Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the service received from employees is measured at the fair value of the liability incurred. If a cash-settled share-based payment do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognizes costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the Group will remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognized in profit or loss for the current period.

When the Group receives services and has the obligation to settle the transaction, but the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group classifies the transaction as cash-settled.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.31 Employee benefits *(continued)*

Share-based payments *(continued)*

(ii) Accounting treatment of equity-settled share-based payments

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognizes an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to the newly obtained subsequent information of the changes of the number of the employees expected to vest the equity instruments. The Group measures the services received at the grant-date fair value of the equity instruments and recognizes the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Group receives services, but has no obligation to settle the transaction because the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group also classifies the transaction as equity-settled.

3.32 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.33 Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.34 Foreign currencies

The consolidated financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is transferred to the statement of profit or loss.

Cash flows denominated in foreign currencies and cash flows of overseas subsidiaries are translated using the average exchange rates for the year. The impact on cash caused by the fluctuation of exchange rates is presented as a separate line item in the statement of cash flows.

Section X Independent Auditor's Report and Notes to Financial Statements

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in these consolidated financial statements is included in the following note:

Note 2.2 – consolidation: whether the Group has control over a structured entity.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 3.3 – measurement of fair value;

Note 3.4 – the impairment of non-financial assets;

Notes 3.6 to 3.8 – depreciation rates for property and equipment, investment property and other intangible assets;

Note 3.12 – measurement of 'expected credit loss' (ECL) allowance for financial assets;

Note 3.23 – recognition of deferred tax assets; and

Note 3.31 – Share-based payments.

Section X Independent Auditor's Report and Notes to Financial Statements

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax basis	Tax rate
Corporate income tax	Taxable profits	16.5%-25%
Value added tax ("VAT")	Taxable revenue	3%-13%
City maintenance and construction tax	Value added tax paid	1%-7%
Education surcharge	Value added tax paid	2%-3%
Local Education surcharge	Value added tax paid	1%-2%

Corporate Income tax

The income tax rate applicable to the Company and its subsidiaries in Mainland China is 25%. The income tax rate applicable to subsidiaries in Hong Kong is 16.5%.

Value added tax

According to the Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products (《關於資管產品增值稅有關問題的通知》) promulgated by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC on 30 June 2017, starting from 1 January 2018, with respect to any VAT-able activities in the course of managing asset management products, managers of the asset management products could be temporarily subject to the simplified VAT calculation method and thus liable to VAT at 3%. With respect to VAT-able income arising from asset management products prior to 1 January 2018, if VAT had not been paid previously, no VAT will be payable; if VAT had been paid previously, the previously paid VAT can be used to offset against the VAT payable of the managers.

Section X Independent Auditor's Report and Notes to Financial Statements

6. FEE AND COMMISSION INCOME

(a) Revenue streams

	Year ended 31 December	
	2021	2020
Brokerage and investment consulting business	13,548,422	11,061,447
Underwriting and sponsorship business	3,955,508	3,590,771
Asset management business	1,793,579	1,545,904
Financial advisory business	276,967	296,397
Custodian and outsourcing service	208,904	222,302
Others	97,262	2,795
Total	<u>19,880,642</u>	<u>16,719,616</u>

Fee and commission income represented the Group's revenue from contracts with customers.

(b) Disaggregation of revenue

In the following table, fee and commission income are disaggregated by timing of revenue recognition:

	Year ended 31 December			
	2021		2020	
	At a point in time	Over time	At a point in time	Over time
Brokerage and investment consulting business	13,548,422	—	11,061,447	—
Underwriting and sponsorship business	3,955,508	—	3,590,771	—
Asset management business	—	1,793,579	—	1,545,904
Financial advisory business	276,967	—	296,397	—
Custodian and outsourcing service	—	208,904	—	222,302
Others	97,262	—	2,795	—
Total	<u>17,878,159</u>	<u>2,002,483</u>	<u>14,951,410</u>	<u>1,768,206</u>

Section X Independent Auditor's Report and Notes to Financial Statements

7. INTEREST INCOME

	Year ended 31 December	
	2021	2020
Margin financing and securities lending	7,315,164	6,104,191
Deposits in financial institutions	3,977,000	3,696,267
Debt instruments at fair value through other comprehensive income	2,078,412	2,177,121
Stock-pledged financing and securities repurchase	1,899,037	1,851,917
Other financial assets held under resale agreements	416,109	354,691
Term loan	25,945	51,898
Others	41,296	259,597
	<u>15,752,963</u>	<u>14,495,682</u>
Total	<u>15,752,963</u>	<u>14,495,682</u>

8. NET INVESTMENT GAINS

	Year ended 31 December	
	2021	2020
Dividend and other income		
Financial instruments at fair value through profit or loss	6,607,830	4,231,757
Equity instruments at fair value through other comprehensive income	842,829	201,374
Net realized gains		
Financial instruments at fair value through profit or loss	2,018,312	3,773,681
Debt instruments at fair value through other comprehensive income	234,192	586,392
Derivative financial instruments	240,383	(325,823)
Unrealized gains		
Financial assets at fair value through profit or loss	(1,918,648)	2,162,322
Financial liabilities at fair value through profit or loss	1,971,011	(28,927)
Derivative financial instruments	306,205	(1,700,108)
Others ⁽¹⁾	(1,910)	529
	<u>10,300,204</u>	<u>8,901,197</u>
Total	<u>10,300,204</u>	<u>8,901,197</u>

(1) Third-party interests in consolidated structured entities.

Section X Independent Auditor's Report and Notes to Financial Statements

9. GAIN ON LOSING CONTROL OF A SUBSIDIARY

Following CSRC's approval on Bailian Group Co., Ltd. to become a major shareholder and controlling shareholder of Shanghai Securities Co., Ltd. ("Shanghai Securities") and the change of registered share capital of Shanghai Securities in December 2020, Shanghai Securities has completed the necessary procedures in relations to the capital increase including capital verification, registration of change in rights of state-owned assets and registration with industrial and commercial department of the increased registered share capital in accordance with the requirements stated in the approval of the CSRC and requirements of relevant administrative measures of state-owned assets.

Upon the completion of such procedures and as of the date 7 February 2021, the Company held approximately 24.99% of the equity interest in Shanghai Securities, and Shanghai Securities ceased to be a subsidiary of the Company.

Entity name	Shanghai Securities
Considerations received	—
Disposal method	Subsidiary's private placement of shares to third-party investors
Date of losing control	7 February 2021
Basis for determining date of losing control	Transfer of control
Proportion of remaining equity interest on the date of losing control	24.99%
Carrying amount of remaining equity interests on the date of losing control	4,004,515
Fair value of remaining equity interests on the date of losing control	5,129,330
Gain or loss from remeasurement of remaining equity interests to fair value	1,124,815
Method and key assumptions for determining the fair value of remaining equity interests	Independent valuation report from third party valuer
Net investment gains transferred from other comprehensive income related to previous equity investment in subsidiary	13,954

10. OTHER INCOME AND GAINS

	Year ended 31 December	
	2021	2020
Income from bulk commodity trading	8,685,188	5,396,352
Government grants ⁽¹⁾	554,752	563,871
Foreign exchange gains or losses	(71,625)	61,556
Commission from tax withholding and remitting	40,646	42,940
Gains on disposal of property and equipment	28,602	22,010
Gain on disposal of joint ventures and associates	—	175,811
Others	101,046	66,305
Total	<u>9,338,609</u>	<u>6,328,845</u>

(1) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

Section X Independent Auditor's Report and Notes to Financial Statements

11. FEE AND COMMISSION EXPENSES

	Year ended 31 December	
	2021	2020
Brokerage and investment consulting business	3,668,707	2,390,703
Underwriting and sponsorship business	169,551	151,724
Others	92,737	38,020
Total	<u>3,930,995</u>	<u>2,580,447</u>

12. INTEREST EXPENSES

	Year ended 31 December	
	2021	2020
Bonds payable	3,774,985	3,325,141
Financial assets sold under repurchase agreements	3,107,836	2,749,939
Short-term debt instruments	1,228,529	732,913
Accounts payable to brokerage customers	847,606	611,282
Placements from other financial institutions	587,381	483,837
Securities lending	175,826	165,343
Derivative financial instruments	134,007	100,688
Loans and borrowings	123,813	433,752
Gold leasing	69,282	75,756
Lease liabilities	78,149	88,946
Priority tranche holders of structured entities	2,021	31,483
Others	32,975	5,574
Total	<u>10,162,410</u>	<u>8,804,654</u>

Section X Independent Auditor's Report and Notes to Financial Statements

13. STAFF COSTS

	Year ended 31 December	
	2021	2020
Salaries, bonuses and allowances	8,882,483	8,244,400
Contributions to defined contribution schemes	757,903	425,609
Other social welfare	646,092	580,371
	<hr/>	<hr/>
Total	<u>10,286,478</u>	<u>9,250,380</u>

The employees of the Group in Mainland China participate in state-managed retirement benefit schemes operated by the respective local governments in Mainland China.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance for all of its qualified employees in Hong Kong.

Apart from participating in various defined contribution retirement benefit schemes organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans for the period.

The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

14. DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended 31 December	
	2021	2020
Depreciation of right-of-use assets	592,041	635,589
Depreciation of property and equipment	460,986	543,238
Amortization of other intangible assets	180,266	169,630
Amortization of long-term deferred expenses	19,246	23,096
Amortization of investment property	14,683	—
	<hr/>	<hr/>
Total	<u>1,267,222</u>	<u>1,371,553</u>

Section X Independent Auditor's Report and Notes to Financial Statements

15. OTHER OPERATING EXPENSES AND COSTS

	Year ended 31 December	
	2021	2020
Cost of bulk commodity trading	8,650,701	5,392,031
Information technology expenses	470,151	424,081
Promotion and business development expenses	284,589	279,469
Consulting fees	266,742	241,935
Administrative and office operating expenses	237,041	192,130
Stock exchange management fees	232,438	175,419
Postal and communication expenses	199,495	221,737
Fund and asset management scheme distribution expenses	189,126	192,709
Rental and property management expenses	184,427	242,420
Business travel expenses	183,666	146,742
Marketing and advertising expenses	146,235	166,632
Securities investor protection funds	135,013	121,575
Donation	51,012	38,824
Utilities	43,989	41,971
Auditors' remuneration	9,923	14,228
Others	373,554	348,806
	<u>11,658,102</u>	<u>8,240,709</u>
Total	11,658,102	8,240,709

16. CREDIT LOSS EXPENSE

	Year ended 31 December	
	2021	2020
Financial assets held under resale agreements	(596,813)	616,772
Margin accounts receivable	502,666	610,349
Other non-current assets	307,936	68,480
Accounts receivable	15,214	—
Other current assets	—	2,106
Others	112,020	14,590
	<u>341,023</u>	<u>1,312,297</u>
Total	341,023	1,312,297

Section X Independent Auditor's Report and Notes to Financial Statements

17. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
Current tax		
Mainland China	3,451,090	3,295,428
Hong Kong	155,435	92,099
Adjustments in respect of prior years		
Mainland China	1,001	29,188
Hong Kong	(3)	7,933
Deferred tax	202,216	(289,774)
Total tax charges for the year	<u>3,809,739</u>	<u>3,134,874</u>

According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Company's subsidiaries in Mainland China are subject to CIT at the statutory tax rate of 25%.

For the Company's subsidiaries in Hong Kong, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the year.

A reconciliation of the tax expense applicable to profit before income tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2021	2020
Profit before income tax	19,112,281	14,871,944
Tax at the PRC statutory tax rate of 25%	4,778,070	3,717,986
Effect of different tax rates of subsidiaries	(119,115)	(208,330)
Adjustments in respect of current tax and deferred tax of prior years	998	37,121
Non-taxable income	(820,438)	(348,845)
Profits and losses attributable to joint ventures and associates	(106,823)	(35,478)
Non-deductible expenses	182,603	192,480
Utilization of tax losses and deductible temporary differences previously not recognized	(17,209)	(14,312)
Tax losses and deductible temporary differences not recognized	12,278	14,752
Deductible distribution of other equity instrument	(100,625)	(220,500)
Total tax charges for the year	<u>3,809,739</u>	<u>3,134,874</u>

Section X Independent Auditor's Report and Notes to Financial Statements

18. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors paid by the Group who held office for the years ended 31 December 2021 and 2020 is as follows:

Name	Fees	Year ended 31 December 2021				Restricted share incentive scheme	Total remuneration
		Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses			
Executive Directors							
He Qing ⁽²⁾	—	799	210	342	—	1,351	
Wang Song ⁽²⁾	—	1,080	212	1,452	2,718	5,462	
Yu Jian ⁽²⁾	—	1,613	352	3,550	2,241	7,756	
Non-Executive Directors							
Liu Xinyi ⁽¹⁾⁽²⁾	—	—	—	—	—	—	
Guan Wei ⁽¹⁾⁽²⁾	—	—	—	—	—	—	
Zhong Maojun ⁽¹⁾⁽²⁾	—	—	—	—	—	—	
Chen Hua ⁽¹⁾⁽²⁾	—	—	—	—	—	—	
Wang Wenjie ⁽¹⁾⁽²⁾	—	—	—	—	—	—	
Zhang Zhan ⁽²⁾	75	—	—	—	—	75	
Zhang Yipeng ⁽¹⁾⁽³⁾	—	—	—	—	—	—	
An Hongjun ⁽¹⁾⁽²⁾	—	—	—	—	—	—	
Independent Non-executive Directors							
Xia Dawei ⁽²⁾	250	—	—	—	—	250	
Ding Wei ⁽²⁾	125	—	—	—	—	125	
Li Renjie ⁽²⁾	125	—	—	—	—	125	
Bai Wei ⁽²⁾	125	—	—	—	—	125	
LEE Conway Kong Wai ⁽²⁾	250	—	—	—	—	250	
Chai Hongfeng ⁽¹⁾⁽³⁾	—	—	—	—	—	—	
Supervisors							
Li Zhongning ⁽²⁾	—	799	210	267	—	1,276	
Wu Hongwei ⁽²⁾	—	359	101	—	—	460	
Zhou Zhaohui ⁽²⁾	75	—	—	—	—	75	
Shen Yun ⁽²⁾	75	—	—	—	—	75	
Zuo Zhipeng ⁽²⁾	150	—	—	—	—	150	
Shao Liangming ⁽²⁾	—	392	101	100	—	593	
Xie Min ⁽²⁾	—	169	51	77	—	297	
	<u>1,250</u>	<u>5,211</u>	<u>1,237</u>	<u>5,788</u>	<u>4,959</u>	<u>18,445</u>	

(1) Except for these directors, none of the directors or supervisors waived any remuneration during the year.

(2) Appointed on 28 June 2021.

(3) Appointed on 25 November 2021.

Section X Independent Auditor's Report and Notes to Financial Statements

18. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

Name	Year ended 31 December 2020						Total remuneration
	Fees	Salaries, allowances and benefits	Pension scheme contributions and other social welfare	Discretionary bonuses	Restricted share incentive scheme		
Executive Directors							
He Qing ⁽²⁾	—	732	95	57	—	884	
Wang Song	—	920	107	1,236	793	3,056	
Yu Jian	—	1,615	176	3,037	653	5,481	
Non-Executive Directors							
Liu Xinyi ⁽¹⁾⁽³⁾	—	—	—	—	—	—	
Guan Wei ⁽¹⁾	—	—	—	—	—	—	
Zhou Lei ⁽¹⁾	—	—	—	—	—	—	
Zhong Maojun ⁽¹⁾	—	—	—	—	—	—	
Wang Wenjie ⁽¹⁾	—	—	—	—	—	—	
Lin Facheng	150	—	—	—	—	150	
Zhou Hao ⁽¹⁾	—	—	—	—	—	—	
An Hongjun ⁽¹⁾	—	—	—	—	—	—	
Independent Non-executive Directors							
Xia Dawei	250	—	—	—	—	250	
Shi Derong ⁽¹⁾	—	—	—	—	—	—	
Chen Guogang	250	—	—	—	—	250	
Ling Tao	250	—	—	—	—	250	
Jin Qingjun	250	—	—	—	—	250	
LEE Conway Kong Wai	250	—	—	—	—	250	
Supervisors							
Li Zhongning ⁽⁴⁾	—	466	60	—	—	526	
Wang Lei	—	719	104	308	—	1,131	
Shao Chong	150	—	—	—	—	150	
Feng Xiaodong	150	—	—	—	—	150	
Zuo Zhipeng	150	—	—	—	—	150	
Wang Weijie	—	1,132	141	1,606	—	2,879	
Liu Xuefeng	—	1,346	141	1,362	—	2,849	
	1,850	6,930	824	7,606	1,446	18,656	

- (1) Except for these directors, none of the directors or supervisors waived any remuneration during the year.
- (2) Appointed on 12 February 2020.
- (3) Appointed on 15 June 2020.
- (4) Appointed on 15 June 2020.

Section X Independent Auditor's Report and Notes to Financial Statements

19. FIVE HIGHEST PAID EMPLOYEES

Among the five highest paid employees, there were neither directors nor supervisors for the years ended 31 December 2021 and 2020. Details of the remuneration of the five highest paid employees are as follows:

	Year ended 31 December	
	2021	2020
Salaries, allowances and benefits	9,709	12,709
Pension scheme contributions and other social welfare	40	64
Discretionary bonuses	49,883	55,495
Share-based payments	690	4,406
Total	<u>60,322</u>	<u>72,674</u>

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2021	2020
HKD12,000,001 to HKD13,000,000	2	—
HKD13,000,001 to HKD14,000,000	—	—
HKD14,000,001 to HKD15,000,000	1	1
HKD15,000,001 to HKD16,000,000	—	2
HKD17,000,001 to HKD18,000,000	2	1
HKD23,000,001 to HKD24,000,000	—	1
Total	<u>5</u>	<u>5</u>

20. DIVIDENDS

	Year ended 31 December	
	2021	2020
Proposed and paid dividends	4,983,132	3,439,391
Distribution to other equity instrument holders	<u>402,500</u>	<u>402,500</u>

Pursuant to the resolution of the meeting of shareholders held on 28 June 2021, the Company distributed cash dividends of RMB5.60 yuan for every 10 shares (tax included) amounting to RMB4,983 million in total for the year ended 31 December 2020.

Pursuant to the resolution of the meeting of shareholders held on 15 June 2020, the Company distributed cash dividends of RMB3.90 yuan for every 10 shares (tax included) amounting to RMB3,439 million in total for the year ended 31 December 2019.

Section X Independent Auditor's Report and Notes to Financial Statements

20. DIVIDENDS *(continued)*

The dividend distributions by the Company triggered the mandatory interest payment event for perpetual subordinated bonds. The Company recognized dividend payable to other equity instrument holders of RMB403 million and RMB403 million during the year ended 31 December 2021 and 2020 for the years then ended respectively.

Pursuant to the resolution of the 4th meeting of the 6th term of the Board held on 30 March 2022, the Board has proposed the annual profit distribution plan for the year ended 31 December 2021 as follows: after appropriating 10% of profit after tax each for general risk reserve and transaction risk reserve, respectively, in accordance with relevant regulations, based on the total number of ordinary shares as indicated in the statutory records on that date, the Company shall distribute cash dividends of RMB6.80 yuan for every 10 shares (tax included). Based on the total of 8,908,449,523 ordinary shares without considering the shares that may be converted from convertible bonds after 31 December 2021, RMB6,058 million of dividends would be distributed. The profit distribution plan is subject to shareholders' approval in the upcoming shareholders' meeting.

21. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The newly issued shares are calculated in accordance with the conditions stated in the issuance agreement, starting from the consideration receivable date (usually the issuance date).

The numerator of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect (a) the interest of dilutive potential ordinary shares recognized in profit or loss, where applicable, (b) the income or expenses from the conversion of dilutive potential ordinary shares into ordinary shares, (c) dividend paid to shareholders under the restricted share Incentive scheme of A shares (d) the dilutive effect of subsidiaries' potential ordinary shares and (e) the tax impact of the above adjustments.

The denominator of the diluted earnings per share amount is the total number of (a) the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, (b) the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, and (c) dilutive effect of share-based transactions.

When calculating the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, dilutive potential ordinary shares issued in prior years are assumed to be converted at the beginning of the year and those issued in the year are assumed to be converted at the issuance date. The Group has convertible corporate bonds and share based payment as dilutive potential ordinary shares.

When calculating the weighted average number of restricted shares, the vesting conditions are tested at the reporting date.

Section X Independent Auditor's Report and Notes to Financial Statements

21. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

The calculations of basic and diluted earnings per share attributable to ordinary equity holders of the Company are as follows:

	Year ended 31 December	
	2021	2020
Earnings		
Profit attributable to equity holders of the Company	15,013,480	11,122,099
Less: Profit attributable to other equity holders of the Company ⁽¹⁾	402,500	456,585
Less: Cash dividend paid to shareholders under the restricted share incentive scheme of A shares ⁽²⁾	43,244	—
Profit attributable to ordinary equity holders of the Company	14,567,736	10,665,514
Add: Interest expense on convertible bonds, net of tax	302,063	298,476
Add: Cash dividend paid to shareholders under the restricted share incentive scheme of A shares ⁽²⁾	43,244	—
Less: Dilutive effect of a subsidiary's potential ordinary shares ⁽³⁾	—	1,634
Adjusted profit attributable to ordinary equity holders of the Company	<u>14,913,043</u>	<u>10,962,356</u>
Shares (in thousand)		
Weighted average number of ordinary shares in issue during the year	8,819,449	8,865,324
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares	372,362	363,727
Add: Dilutive effect of share-based transactions	17,722	16,897
Adjusted weighted average number of ordinary shares in issue during the year	<u>9,209,533</u>	<u>9,245,948</u>
Earnings per share attributable to ordinary equity holders of the Company (RMB yuan per share)		
— Basic	1.65	1.20
— Diluted	1.62	1.19

(1) For the purpose of calculating basic earnings per ordinary share in respect of the year ended 31 December 2021, RMB403 million (2020: RMB457 million) attributable to perpetual subordinated bonds were deducted from profits attributable to equity holders of the Company.

(2) For the purpose of calculating basic earnings per ordinary share in respect of the year ended 31 December 2021, cash dividend of RMB43 million (2020: nil) attributable to shareholders under the restricted share incentive scheme of A shares were deducted from profits attributable to equity holders of the Company. For the purpose of calculating diluted earnings per ordinary share in respect of the year ended 31 December 2021, the above cash dividend was included in the profits attributable to equity holders of the Company.

(3) The dilutive effect is due to the share options issued by Guotai Junan International Holdings Limited ("GJIHL").

Section X Independent Auditor's Report and Notes to Financial Statements

22. PROPERTY AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
Cost									
As at 1 January 2021	4,675,910	954,783	69,244	1,760,090	19,952	150,473	265,466	175,363	8,071,281
Additions	418	29,832	1,221	273,900	842	13,480	196,918	3,778	520,389
Transfers during the year	(1,009,459)	470	867	54,674	-	-	(59,224)	3,684	(1,008,988)
Disposals	(26,004)	(75,397)	(1,736)	(46,424)	(51)	(13,336)	(141,086)	(1,878)	(305,912)
Lost control of a subsidiary	(859,089)	(222,964)	(19,273)	(240,689)	(1,197)	(11,296)	(42,391)	(12,967)	(1,409,866)
As at 31 December 2021	<u>2,781,776</u>	<u>686,724</u>	<u>50,323</u>	<u>1,801,551</u>	<u>19,546</u>	<u>139,321</u>	<u>219,683</u>	<u>167,980</u>	<u>5,866,904</u>
Accumulated depreciation									
As at 1 January 2021	(978,904)	(609,142)	(12,673)	(1,125,042)	(12,066)	(116,962)	-	(99,932)	(2,954,721)
Depreciation charge	(76,420)	(114,077)	(7,785)	(231,755)	(2,344)	(13,263)	-	(15,342)	(460,986)
Transfer during the year	21,500	-	-	-	-	-	-	-	21,500
Disposals	4,077	48,900	1,613	45,259	43	11,922	-	1,466	113,280
Lost control of a subsidiary	49,431	183,205	16,819	178,520	1,137	7,797	-	10,153	447,062
As at 31 December 2021	<u>(980,316)</u>	<u>(491,114)</u>	<u>(2,026)</u>	<u>(1,133,018)</u>	<u>(13,230)</u>	<u>(110,506)</u>	<u>-</u>	<u>(103,655)</u>	<u>(2,833,865)</u>
Impairment									
As at 1 January 2021 and 31 December 2021	(92,253)	-	-	-	-	-	-	-	(92,253)
Net carrying amount									
As at 31 December 2021	<u>1,709,207</u>	<u>195,610</u>	<u>48,297</u>	<u>668,533</u>	<u>6,316</u>	<u>28,815</u>	<u>219,683</u>	<u>64,325</u>	<u>2,940,786</u>

Section X Independent Auditor's Report and Notes to Financial Statements

22. PROPERTY AND EQUIPMENT (continued)

	Buildings	Leasehold improvements	Machinery	Electronic equipment	Communication equipment	Motor vehicles	CIP	Others	Total
Cost									
As at 1 January 2020	3,666,148	929,585	65,000	1,583,317	18,773	153,369	1,255,495	161,326	7,833,013
Additions	372	22,168	1,141	186,869	1,484	2,751	340,888	1,777	557,450
Transfers during the year	1,009,459	24,308	6,135	130,553	—	265	(1,330,917)	18,080	(142,117)
Disposals	(69)	(21,278)	(3,032)	(140,649)	(305)	(5,912)	—	(5,820)	(177,065)
As at 31 December 2020	<u>4,675,910</u>	<u>954,783</u>	<u>69,244</u>	<u>1,760,090</u>	<u>19,952</u>	<u>150,473</u>	<u>265,466</u>	<u>175,363</u>	<u>8,071,281</u>
Accumulated depreciation									
As at 1 January 2020	(848,941)	(472,873)	(7,555)	(995,010)	(9,979)	(105,640)	—	(89,339)	(2,529,337)
Depreciation charge	(129,963)	(153,036)	(7,906)	(220,744)	(2,378)	(16,468)	—	(12,743)	(543,238)
Disposals	—	16,767	2,788	90,712	291	5,146	—	2,150	117,854
As at 31 December 2020	<u>(978,904)</u>	<u>(609,142)</u>	<u>(12,673)</u>	<u>(1,125,042)</u>	<u>(12,066)</u>	<u>(116,962)</u>	<u>—</u>	<u>(99,932)</u>	<u>(2,954,721)</u>
Impairment									
As at 1 January 2020 and 31 December 2020	(92,253)	—	—	—	—	—	—	—	(92,253)
Net carrying amount									
As at 31 December 2020	<u>3,604,753</u>	<u>345,641</u>	<u>56,571</u>	<u>635,048</u>	<u>7,886</u>	<u>33,511</u>	<u>265,466</u>	<u>75,431</u>	<u>5,024,307</u>

As at 31 December 2021, the Group has not yet obtained the relevant building certificates for buildings with costs of RMB81,151 thousand.

Section X Independent Auditor's Report and Notes to Financial Statements

23. INVESTMENT PROPERTY

	Properties and Buildings
Cost	
As at 31 December 2020	—
Transfer during the year	1,009,458
Decreases	—
As at 31 December 2021	<u>1,009,458</u>
Accumulated depreciation	
As at 31 December 2020	—
Transfer during the year	(21,500)
Charge for the year	(14,683)
As at 31 December 2021	<u>(36,183)</u>
Impairment	
As at 31 December 2020 and 31 December 2021	—
Net carrying amount	
As at 31 December 2021	<u>973,275</u>
As at 31 December 2020	<u><u>—</u></u>

Section X Independent Auditor's Report and Notes to Financial Statements

24. LEASES

(a) Right-of-use assets

	Buildings	Prepaid land lease payments	Total
Cost			
As at 1 January 2020	3,289,866	876,029	4,165,895
Increases	341,758	—	341,758
Decreases	(614,879)	—	(614,879)
As at 31 December 2020	3,016,745	876,029	3,892,774
Increases	827,510	—	827,510
Decreases	(883,111)	—	(883,111)
Lost control of a subsidiary	(299,843)	(104)	(299,947)
As at 31 December 2021	2,661,301	875,925	3,537,226
Accumulated depreciation			
As at 1 January 2020	(1,108,007)	(109,793)	(1,217,800)
Depreciation charge	(616,513)	(19,076)	(635,589)
Decreases	473,410	—	473,410
As at 31 December 2020	(1,251,110)	(128,869)	(1,379,979)
Depreciation charge	(572,965)	(19,076)	(592,041)
Decreases	756,980	—	756,980
Lost control of a subsidiary	164,675	103	164,778
As at 31 December 2021	(902,420)	(147,842)	(1,050,262)
Impairment			
As at 1 January 2020 and 31 December 2020	(22,052)	—	(22,052)
Decreases	22,052	—	22,052
As at 31 December 2021	—	—	—
Net carrying amount			
As at 31 December 2021	1,758,881	728,083	2,486,964
As at 31 December 2020	1,743,583	747,160	2,490,743

Section X Independent Auditor's Report and Notes to Financial Statements

24. LEASES (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Year ended 31 December	
	2021	2020
Carrying amount at 1 January	1,953,629	2,363,837
New leases	807,691	296,005
Accretion of interest recognized during the year	78,149	88,946
Modification of leases	(145,804)	(120,365)
Payments	(600,541)	(674,794)
Lost control of a subsidiary	(153,016)	—
Carrying amount at 31 December	<u>1,940,108</u>	<u>1,953,629</u>
Analyzed into:		
Current portion	<u>510,987</u>	<u>466,697</u>
Non-current portion	<u>1,429,121</u>	<u>1,486,932</u>

As at 31 December 2021, the maturity analysis of lease liabilities is as follows:

	Year ended 31 December	
	2021	2020
Within 1 year (inclusive)	510,987	466,697
1 to 5 years (inclusive)	1,418,703	1,211,052
After 5 years	<u>10,418</u>	<u>275,880</u>
Total	<u>1,940,108</u>	<u>1,953,629</u>

Section X Independent Auditor's Report and Notes to Financial Statements

24. LEASES (continued)

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	Year ended 31 December	
	2021	2020
Interest on lease liabilities	78,149	88,946
Depreciation charge of right-of-use assets	592,041	635,589
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2021 (included in other operating expenses and costs)	27,390	181,997
Expense relating to leases of low-value assets (included in other operating expenses and costs)	9,087	8,535
Total amount recognized in profit or loss	<u>706,667</u>	<u>915,067</u>

(d) Extension and termination options

The Group has some lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. Those options will not have a significant impact on the Group's financial statements.

25. GOODWILL

	As at 31 December	
	2021	2020
Cost	20,896	599,812
Less: Impairment losses	—	—
Carrying amount	<u>20,896</u>	<u>599,812</u>

Section X Independent Auditor's Report and Notes to Financial Statements

25. GOODWILL *(continued)*

Impairment testing on goodwill

	As at 31 December	
	2021	2020
Cost and carrying value		
Unit A – Guotai Junan Securities (Vietnam) Corporation	18,405	18,405
Unit B – Guotai Junan Futures Co., Ltd.	2,491	2,491
Unit C – Shanghai Securities	—	578,916
	<hr/>	<hr/>
Total	<u>20,896</u>	<u>599,812</u>

GJIHL acquired 50.97% equity interests in Guotai Junan Securities (Vietnam) Corporation (former “Vietnam Investment Securities Company”) from a third party in December 2019. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the cash-generating unit (“CGU”) of Vietnam Investment Securities Company.

The Company acquired 100% of the equity interests in Guotai Junan Futures Co., Ltd. from a third party in July 2007. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Guotai Junan Futures Co., Ltd..

As described in Note 9, Shanghai Securities ceased to be a subsidiary of the Company in February 2021 and was accounted for as an associate. Gains on losing control of Shanghai Securities included the carrying amount of goodwill relating to it.

The recoverable amount is the higher of the CGU’s fair value less costs of disposal and value in use. The key assumptions include comparable quoted prices, budgeted revenue growth rates and discount rates, which represent management’s assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

The estimated recoverable amount of the CGUs exceeded their carrying amount therefore no impairment loss was recognized. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

Section X Independent Auditor's Report and Notes to Financial Statements

26. OTHER INTANGIBLE ASSETS

	Software	Trading seats rights	Securities and futures brokerage qualification ⁽¹⁾	Others	Total
Cost					
As at 1 January 2021	1,252,253	206,186	1,066,264	15,903	2,540,606
Additions	264,710	33	—	9	264,752
Disposal	—	(444)	—	—	(444)
Lost control of a subsidiary	(150,453)	—	(1,066,264)	(1,649)	(1,218,366)
As at 31 December 2021	1,366,510	205,775	—	14,263	1,586,548
Accumulated amortization					
As at 1 January 2021	(718,566)	(126,539)	—	(2,286)	(847,391)
Amortization	(179,556)	(19)	—	(691)	(180,266)
Disposal	—	299	—	—	299
Lost control of a subsidiary	118,297	—	—	805	119,102
As at 31 December 2021	(779,825)	(126,259)	—	(2,172)	(908,256)
Impairment					
As at 1 January 2021	—	(4,927)	—	(10,475)	(15,402)
Additions	—	—	—	—	—
Disposals and others	—	—	—	—	—
As at 31 December 2021	—	(4,927)	—	(10,475)	(15,402)
Net carrying amount					
As at 31 December 2021	586,685	74,589	—	1,616	662,890

- (1) The other intangible assets of securities and futures brokerage qualification were generated from the acquisition of Shanghai Securities, which ceased to be a subsidiary of the Company in February 2021 as stated in Note 9.

Section X Independent Auditor's Report and Notes to Financial Statements

26. OTHER INTANGIBLE ASSETS *(continued)*

	Software	Trading seats rights	Securities and futures brokerage qualification	Others	Total
Cost					
As at 1 January 2020	979,336	206,186	1,066,264	16,347	2,268,133
Additions	273,628	—	—	255	273,883
Acquisition of a subsidiary	—	—	—	—	—
Disposal	(711)	—	—	(699)	(1,410)
As at 31 December 2020	<u>1,252,253</u>	<u>206,186</u>	<u>1,066,264</u>	<u>15,903</u>	<u>2,540,606</u>
Accumulated amortization					
As at 1 January 2020	(550,391)	(126,539)	—	(1,723)	(678,653)
Amortization	(168,677)	—	—	(953)	(169,630)
Disposal	502	—	—	390	892
As at 31 December 2020	<u>(718,566)</u>	<u>(126,539)</u>	<u>—</u>	<u>(2,286)</u>	<u>(847,391)</u>
Impairment					
As at 1 January 2020	—	(4,756)	—	(10,475)	(15,231)
Additions	—	(171)	—	—	(171)
As at 31 December 2020	<u>—</u>	<u>(4,927)</u>	<u>—</u>	<u>(10,475)</u>	<u>(15,402)</u>
Net carrying amount					
As at 31 December 2020	<u><u>533,687</u></u>	<u><u>74,720</u></u>	<u><u>1,066,264</u></u>	<u><u>3,142</u></u>	<u><u>1,677,813</u></u>

Section X Independent Auditor's Report and Notes to Financial Statements

27. INVESTMENTS IN SUBSIDIARIES

	As at 31 December	
	2021	2020
Unlisted shares, carried at cost	19,899,368	21,433,557
Less: Impairment losses	—	—
Total	<u>19,899,368</u>	<u>21,433,557</u>

(a) Details of the subsidiaries held by the Company

The following list contains particulars of the subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of registration or primary business	Paid-in capital	Principal activities	Equity interests held as at 31 December	
				2021	2020
Guotai Junan Innovation Investment Co., Ltd. ⁽¹⁾⁽³⁾	Shanghai PRC	RMB7,500,000,000	Equity investment and investment consulting	100%	100%
Shanghai Guotai Junan Securities Asset Management Co., Ltd. ("GTJA Asset Management") ⁽¹⁾⁽³⁾	Shanghai PRC	RMB2,000,000,000	Securities asset management Fund management	100%	100%
Guotai Junan Zhengyu Investment Co., Ltd. ⁽¹⁾⁽³⁾	Shanghai PRC	RMB3,000,000,000	Equity investment Financial products investment	100%	100%
Shanghai Guoxiang Real Estate Co., Ltd. (1) (3)	Shanghai PRC	RMB1,050,000,000	Real estate and property management	100%	100%
Guotai Junan Financial Holdings Limited ⁽¹⁾	HK PRC	HKD2,611,980,000	Investment service	100%	100%
Guotai Junan Risk Management Co., Ltd. ⁽³⁾	Shanghai PRC	RMB800,000,000	Warehouse service Cooperation hedge Investment management Corporate management consulting	100%	100%
Shanghai Gelong Entrepreneurship Investment Co., Ltd. ⁽³⁾	Shanghai PRC	RMB100,000,000	Venture capital investment and management	100%	100%
Shanghai GTJA Juntong Investment Management Co., Ltd. ⁽³⁾	Shanghai PRC	RMB20,000,000	Investment management Industrial investment Investment consulting	100%	100%

Section X Independent Auditor's Report and Notes to Financial Statements

27. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Details of the subsidiaries held by the Company (continued)

Name of company	Place of registration or primary business	Paid-in capital	Principal activities	Equity interests held as at 31 December	
				2021	2020
Guotai Junan (Shanghai) Science and Technology Equity Investment Fund Management Co., Ltd. ⁽³⁾	Shanghai PRC	RMB20,000,000	Equity investment Venture capital investment Asset management	100%	100%
Guotai Junan Futures Co., Ltd. ⁽¹⁾⁽³⁾	Shanghai PRC	RMB4,000,000,000	Futures brokerage Futures investment consulting	100%	100%
Guotai Junan Capital Management Co., Ltd. ("Guotai Junan Capital") ⁽³⁾	Shanghai PRC	RMB1,233,563,200	Asset management Equity investment Fund management	99%	99%
Shanghai North Industries GTJA Investment Management Co., Ltd. ⁽³⁾	Shanghai PRC	RMB730,025,345	Investment management Industrial investment Investment consulting	99%	99%
Shanghai GTJA Haojing Investment Management Co., Ltd. ⁽³⁾	Shanghai PRC	RMB10,000,000	Investment management Industrial investment Investment consulting	100%	100%
Guotai Junan Futures (Singapore) Pte. Ltd.	Singapore	—	Commodity (Excluding Gold) and Futures Brokers and Dealers	100%	N/A
Guotai Junan Investments (Hong Kong) Limited	HK PRC	HKD33,500,000	Investment	100%	100%
Guotai Junan Consultancy Services (Shenzhen) Limited ⁽³⁾	Shenzhen PRC	HKD12,000,000	Investment consulting Marketing planning Corporate management consulting	100%	100%
Guotai Junan Holdings Limited	British Virgin Is.	USD1	Debt financing	100%	100%
GJIHL	HK PRC	HKD10,911,163,094	Investment and financing	73.24%	73.25%
Guotai Junan (Hong Kong) Limited	Samoa	USD816,300,000	Investment Administrative management	73.24%	73.25%
Guotai Junan Fund Management Limited ⁽²⁾	HK PRC	HKD10,000,000	Fund management Securities trading	36.62%	36.63%
Guotai Junan Securities (Hong Kong) Limited	HK PRC	HKD7,500,000,000	Securities brokerage	73.24%	73.25%
Guotai Junan Finance (Hong Kong) Limited	HK PRC	HKD300,000,000	Investment and financing	73.24%	73.25%

Section X Independent Auditor's Report and Notes to Financial Statements

27. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Details of the subsidiaries held by the Company (continued)

Name of company	Place of registration or primary business	Paid-in capital	Principal activities	Equity interests held as at 31 December	
				2021	2020
Guotai Junan Futures (Hong Kong) Limited	HK PRC	HKD50,000,000	Futures brokerage	73.24%	73.25%
Guotai Junan Capital (Hong Kong) Limited	HK PRC	HKD50,000,000	Investment consulting	73.24%	73.25%
Guotai Junan Asset Management (Asia) Limited	HK PRC	HKD50,000,000	Fund management	73.24%	73.25%
Guotai Junan FX Limited	HK PRC	HKD30,000,000	Foreign exchange dealing	73.24%	73.25%
Guotai Junan International (Singapore) Holdings Pte. Limited	Singapore	SGD9,300,000	Investment management	73.24%	73.25%
Guotai Junan International Asset Management (Singapore) Pte. Limited	Singapore	SGD4,200,000	Asset management	73.24%	73.25%
Guotai Junan Financial Products Limited	HK PRC	HKD1,000,000	Investment and securities trading	73.24%	73.25%
Guotai Junan International Securities (Singapore) Pte. Limited	Singapore	SGD3,500,000	Securities brokerage	73.24%	73.25%
Guotai Junan Global Limited	British Virgin Is.	USD5,000,000	Investment management	100%	100%
Guotai Junan Securities USA Holding, Inc.	USA	USD5,000,000	Investment management	100%	100%
Guotai Junan Securities USA, Inc.	USA	USD5,000,000	M&A consulting services	100%	100%
Guotai Junan Securities (Vietnam) Corporation ⁽⁴⁾	Vietnam	VND693.5 Billion	Securities brokerage	37.33%	37.34%
Shanghai Shipping Capital (Hong Kong) Holding Co., Ltd.	HK PRC	—	Equity investment Fund management	—	100%
Guotai Junan Financial Holdings (BVI) Limited	British Virgin Is.	USD1	Financial financing	—	100%

Section X Independent Auditor's Report and Notes to Financial Statements

27. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Details of the subsidiaries held by the Company (continued)

- (1) These subsidiaries are directly held by the Company.
- (2) GJIHL, a subsidiary controlled by the Company through its voting rights of 73.24%, who considers that it has the ability to govern the financial and operating policies of Guotai Junan Fund Management Limited as it has the power to appoint or remove the majority of the members of Guotai Junan Fund Management Limited's Board of Directors. As a result, Guotai Junan Fund Management Limited is accounted for as a subsidiary of the Company.
- (3) All of the subsidiaries established in the PRC are registered as companies with limited liability under PRC law.
- (4) GJIHL, a subsidiary controlled by the Company through its voting rights of 73.24%, controls Guotai Junan Securities (Vietnam) Corporation by holding 50.97% of its equity interests. As a result, Guotai Junan Securities (Vietnam) Corporation is accounted for as a subsidiary of the Company.

(b) Partially-owned subsidiaries with material non-controlling interests

The following table lists the information related to the major subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarized financial information presented below represents the amounts before any inter-company elimination.

	As at 31 December 2020
Shanghai Securities	
NCI percentage	49.00%
Current assets	29,886,821
Non-current assets	15,975,846
Current liabilities	31,073,670
Non-current liabilities	6,029,152
Net assets	8,759,845
Carrying amount of NCI	5,339,507

Section X Independent Auditor's Report and Notes to Financial Statements

27. INVESTMENTS IN SUBSIDIARIES (continued)

(b) Partially-owned subsidiaries with material non-controlling interests (continued)

	Year ended 31 December 2020	
Total revenue and other income	2,616,685	
Total expenses and income tax expense	2,150,772	
Profit for the year	437,910	
Total comprehensive income	322,221	
Profit attributable to NCI	256,396	
Distribution to NCI	82,000	
Cash flows generated from operating activities	5,929,895	
Cash flows used in investing activities	(5,999,683)	
Cash flows generated from financing activities	652,406	
GJIHL	As at 31 December	
	2021	2020
NCI percentage	26.76%	26.75%
Current assets	72,098,928	87,600,313
Non-current assets	14,802,217	14,844,732
Current liabilities	64,852,361	79,630,924
Non-current liabilities	9,427,543	9,988,228
Net assets	12,621,241	12,825,893
Carrying amount of NCI	3,477,948	3,513,644
	Year ended 31 December	
	2021	2020
Total revenue and other income	3,297,612	4,338,264
Total expenses and income tax expense	2,381,588	2,944,075
Profit for the year	916,024	1,394,188
Total comprehensive income	955,040	1,387,295
Profit attributable to NCI	268,813	358,234
Distribution to NCI	212,242	121,777
Cash flows generated from/(used in) operating activities	5,051,626	(13,403,940)
Cash flows used in investing activities	(35,753)	(32,144)
Cash flows (used in)/generated from financing activities	(5,126,945)	11,928,233

Section X Independent Auditor's Report and Notes to Financial Statements

28. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in consolidated structured entities

The Group has consolidated certain structured entities, including funds, asset management schemes, trust schemes and limited partnerships etc. For those structured entities where the Group is involved as a manager, investment adviser or general partner, the Group assesses whether the combination of investments it held together with its remuneration creates an exposure to variability of returns from the activities of those structured entities that is of such significance that indicates that the Group is a principal.

Interests held by other investors in these consolidated structured entities were classified as financial liabilities at fair value through profit or loss, other current liabilities and other non-current liabilities in the consolidated statement of financial position.

(b) Interests in unconsolidated structured entities

The Group exercised the power over the structured entities including limited partnerships and asset management products by acting as a manager or general partner during the year. Except for the structured entities the Group has consolidated as stated in Note 28(a), in management's opinion, the Group's exposure to variable returns of these structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in unconsolidated limited partnerships and asset management products managed by the Group as financial assets at fair value through profit or loss and investments in associates and joint ventures. As at 31 December 2021 and 2020, the carrying amounts of the Group's interests in unconsolidated structured entities were RMB8,937 million and RMB7,412 million, respectively. The management fee arising from these unconsolidated structured entities in which the Group did not hold interest amounted to RMB862 million and RMB643 million for the years ended 31 December 2021 and 2020, respectively.

(c) Interests in structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but in which it holds interests include funds, asset management schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 31 December 2021 and 31 December 2020, which are listed as below:

Section X Independent Auditor's Report and Notes to Financial Statements

28. INTERESTS IN STRUCTURED ENTITIES *(continued)*

(c) Interests in structured entities sponsored by third party institutions *(continued)*

	As at December 2021		As at December 2020	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial assets at fair value through profit or loss	91,339,244	91,339,244	66,819,077	66,819,077
Financial assets at fair value through other comprehensive income	—	—	13,307,523	13,307,523
Total	<u>91,339,244</u>	<u>91,339,244</u>	<u>80,126,600</u>	<u>80,126,600</u>

29. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December	
	2021	2020
Share of net assets		
— Associates	7,434,717	1,169,765
— Joint ventures	<u>5,492,824</u>	<u>2,844,778</u>
Total	<u>12,927,541</u>	<u>4,014,543</u>

Section X Independent Auditor's Report and Notes to Financial Statements

29. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

At the end of each reporting period, the Group had the following associates and joint ventures:

Name of associates and joint ventures	Place of incorporation or primary business	Registered capital/ Capital commitment (Expressed in yuan)	Principal activities	Percentage of equity interests as at 31 December	
				2021	2020
Associates:					
Shenzhen GTJA Shenyi Phase I Investment Fund LLP	Shenzhen PRC	RMB400,000,000	Investment management and advisory	25%	25%
Shenzhen GTJA Leading Junding Phase 1 Investment Fund LLP	Shenzhen PRC	RMB130,000,000	Investment management and advisory	38%	38%
Shanghai Kechuang Center Equity Investment Fund Management Co., Ltd. ⁽²⁾	Shanghai PRC	RMB100,000,000	Investment management and equity investment	13%	13%
HuaAn Fund Management Co., Ltd. ("HuaAn Funds")	Shanghai PRC	RMB150,000,000	Fund management	28%	20%
Shenzhen United Property and Share Rights Exchange ⁽²⁾	Shenzhen PRC	RMB500,000,000	Provision of intermediary services and equity registration services for equity trading	10%	10%
Shanghai Jizhi Consulting & Management Co., Ltd. ⁽²⁾	Shanghai PRC	RMB10,000,000	Enterprise management consulting, lease of non-residential and residential real estate	15%	N/A
Shanghai Urban Renewal Guidance Private Fund LLP ⁽²⁾	Shanghai PRC	RMB10,002,000,000	Investment management and equity investment	0.01%	N/A
Shanghai Securities ⁽³⁾	Shanghai PRC	RMB5,326,532,000	Securities brokerage Securities investment Underwriting and consulting	25%	51%
Joint ventures:					
Xiamen Junxin Equity Investment Company LLP ⁽²⁾	Xiamen PRC	RMB200,100,000	Equity investment and advisory	10%	10%
Shanghai Guojun Chuangtou Longxu Investment Management Centre LLP	Shanghai PRC	RMB100,000,000	Industrial investment and Investment management	25%	25%
Shanghai Guojun Chuangtou Longsheng Investment Centre LLP	Shanghai PRC	RMB500,000,000	Industrial investment and Investment management	20%	20%
Shanghai Guojun Chuangtou Longzhao Investment Management Centre LLP ⁽¹⁾	Shanghai PRC	RMB1,000,200,000	Industrial investment and Investment management	55%	55%
Shanghai Junzheng Investment Management Co., Ltd. ⁽¹⁾	Shanghai PRC	RMB10,000,000	Investment management and advisory	61%	51%
Shanghai Guojun Chuangtou Zhengjun No.2 Equity Investment LLP	Shanghai PRC	RMB100,010,000	Investment management and advisory	25%	25%
Shanghai Juntong Jinglian Investment LLP ⁽¹⁾	Shanghai PRC	RMB701,000,000	Investment management and advisory	100%	100%
Juntong Phase II Fund	Shanghai PRC	RMB401,000,000	Investment management and advisory	50%	50%
Shanghai North Industries GTJA Investment Centre LLP ⁽²⁾	Shanghai PRC	RMB652,000,000	Investment management and advisory	16%	16%
Shanghai GTJA Chuangxin Equity Investment Master Fund Center LLP	Shanghai PRC	RMB8,008,000,000	Equity investment and advisory	50%	50%
Qingdao GTJA Xinxing No.1 Equity Investment Fund LLP	Qingdao PRC	RMB728,500,000	Equity investment and advisory	48%	48%
Yancheng GTJA Zhiyuan No.1 Investment Centre LLP	Yancheng PRC	RMB500,000,000	Equity investment, investment advisory and asset management	20%	N/A

Section X Independent Auditor's Report and Notes to Financial Statements

29. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

- (1) Although the Group's percentages of shareholdings in these investees are higher than 50%, they are accounted for as joint ventures as the Group only has joint control over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.
- (2) Although the Group's percentages of shareholdings in these investees are lower than 20%, they are accounted for as associates or joint ventures as the Group has significant influence over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.
- (3) Following CSRC's approval on Bailian Group Co., Ltd. to become a major shareholder and controlling shareholder of Shanghai Securities and the change of registered share capital of Shanghai Securities in December 2020, Shanghai Securities has completed the necessary procedures in relations to the capital increase including capital verification, registration of change in rights of state-owned assets and registration with industrial and commercial department of the increased registered share capital in accordance with the requirements stated in the approval of the CSRC and requirements of relevant administrative measures of state-owned assets. Upon the completion of such procedures and as of the date 7 February 2021, the Company held approximately 24.99% of the equity interest in Shanghai Securities, which ceased to be a subsidiary and was accounted for as an associate.

The following table summarises unaudited financial information of Shanghai Securities and HuaAn Funds as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies, if any. The table also reconciles the summarized financial information to the carrying amount of the Group's interests in Shanghai Securities and HuaAn Funds.

Shanghai Securities

	As at 31 December 2021
Gross amounts of the associate	
— Assets	69,802,891
— Liabilities	52,874,614
— Net assets	16,928,277
Carrying amount of interest in associate	5,366,238
	Year ended 31 December 2021
Revenue	2,280,054
Profit for the year	766,106
Other comprehensive income	274,550
Total comprehensive income	1,040,656
Dividend received from the associate	—

Section X Independent Auditor's Report and Notes to Financial Statements

29. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

HuaAn Funds

	As at 31 December	
	2021	2020
Gross amounts of the associate		
— Assets	6,246,215	4,966,339
— Liabilities	2,098,226	1,521,147
— Net assets	4,147,989	3,445,192
Carrying amount of interest in associate	1,890,666	1,008,163
	Year ended 31 December	
	2021	2020
Revenue	3,630,934	2,670,110
Profit for the year	1,005,772	710,613
Other comprehensive income	(2,671)	(5,875)
Total comprehensive income	1,003,101	704,738
Dividend received from the associate	60,000	35,000

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

	Year ended 31 December	
	2021	2020
Share of associates' profit for the year	32,330	10,722
Share of joint ventures' profit for the year	86,239	5,404
	Year ended 31 December	
	2021	2020
Share of associates' total comprehensive income for the year	20,138	10,722
Share of joint ventures' total comprehensive income for the year	366,303	(92,769)
	As at 31 December	
	2021	2020
Aggregate carrying amount of the Group's investments in associates	177,813	161,602
Aggregate carrying amount of the Group's investments in joint ventures	5,492,824	2,844,778

Section X Independent Auditor's Report and Notes to Financial Statements

30. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current

	As at 31 December	
	2021	2020
Government bonds	32,110,210	28,379,934
Financial bonds	7,887,659	12,701,962
Corporate bonds	7,551,263	16,571,307
Other bonds	7,485,643	7,858,014
Total	<u>55,034,775</u>	<u>65,511,217</u>
Analyzed as:		
Listed in Hong Kong	988,933	557,227
Listed outside Hong Kong	27,880,149	37,253,895
Unlisted	26,165,693	27,700,095
Total	<u>55,034,775</u>	<u>65,511,217</u>

Current

	As at 31 December	
	2021	2020
Government bonds	354,607	70,326
Financial bonds	2,708,136	2,550,394
Corporate bonds	1,484,747	2,442,565
Other bonds	7,256,151	1,918,300
Total	<u>11,803,641</u>	<u>6,981,585</u>
Analyzed as:		
Listed inside Hong Kong	—	33,810
Listed outside Hong Kong	4,157,506	4,280,518
Unlisted	7,646,135	2,667,257
Total	<u>11,803,641</u>	<u>6,981,585</u>

As at 31 December 2021, debt instruments at fair value through other comprehensive income of the Group included approximately RMB63,820,807 thousand of pledged, restricted or transferred assets.

Section X Independent Auditor's Report and Notes to Financial Statements

30. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

(a) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2021	2020
At the beginning of the year	154,309	208,151
Charge for the year	114,265	68,848
Reversal	—	(64,288)
Amounts written off and others	(32,871)	(58,402)
Lost control of a subsidiary	(84,378)	—
	151,325	154,309
At the end of the year	151,325	154,309

(b) Analysis of the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2021	80,933	62,044	8,348	151,325
As at 31 December 2020	56,167	34,543	63,599	154,309

31. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current

	As at 31 December	
	2021	2020
Equity securities ⁽¹⁾⁽²⁾	2,480,358	4,329,540
Contribution to designated accounts at China Securities Finance Corporation Limited ("CSFC investment") ⁽¹⁾⁽²⁾	—	13,307,522
Total	2,480,358	17,637,062
Analyzed as:		
Listed in Hong Kong	—	477,160
Listed outside Hong Kong	2,034,258	3,594,012
Unlisted	446,100	13,565,890
Total	2,480,358	17,637,062

Section X Independent Auditor's Report and Notes to Financial Statements

31. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(continued)

- (1) The Group has designated some investments, including CSFC investment and those held for strategic investment purposes or for securities lending, as equity instruments at fair value through other comprehensive income during the year ended 31 December 2021. The dividend income relating to equity instruments at fair value through other comprehensive income is disclosed in Note 8.

During the year ended 31 December 2021, the Group disposed of some of the equity instruments at fair value through other comprehensive income in response to an adjustment in its investment strategy. The accumulated net realized gains and the dividend income of the equity instruments disposed of amounted to RMB248 million (2020: losses RMB216 million) and RMB785 million (2020: RMB201 million), respectively.

- (2) As at 31 December 2021, equity instruments at fair value through other comprehensive income of the Group included approximately RMB100,236 thousand (2020: RMB357,653 thousand) of pledged, restricted or transferred shares.

32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by collateral type:

Non-current

	As at 31 December	
	2021	2020
Equity securities	1,924,261	2,645,258
Less: Allowance for ECLs	(30,917)	(28,971)
Total	<u>1,893,344</u>	<u>2,616,287</u>

Current

	As at 31 December	
	2021	2020
Debt securities	33,015,545	27,667,914
Equity securities	26,681,539	28,841,160
Precious metals	337,009	—
Less: Allowance for ECLs	(2,344,684)	(3,263,560)
Total	<u>57,689,409</u>	<u>53,245,514</u>

Section X Independent Auditor's Report and Notes to Financial Statements

32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(b) Analyzed by market:

Non-current

	As at 31 December	
	2021	2020
Stock exchanges	1,924,261	2,645,258
Less: Allowance for ECLs	<u>(30,917)</u>	<u>(28,971)</u>
Total	<u>1,893,344</u>	<u>2,616,287</u>

Current

	As at 31 December	
	2021	2020
Stock exchanges	38,585,325	38,701,633
Interbank market	17,477,967	15,256,807
Over the counter	3,970,801	2,550,634
Less: Allowance for ECLs	<u>(2,344,684)</u>	<u>(3,263,560)</u>
Total	<u>57,689,409</u>	<u>53,245,514</u>

(c) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2021	2020
At the beginning of the year	3,292,531	2,672,300
Charge for the year	—	616,772
Reversal	(596,813)	—
Amounts written-off and others	(53)	3,459
Lost control of a subsidiary	<u>(320,064)</u>	<u>—</u>
At the end of the year	<u>2,375,601</u>	<u>3,292,531</u>

Section X Independent Auditor's Report and Notes to Financial Statements

32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

(d) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2021	<u>108,922</u>	<u>918</u>	<u>2,265,761</u>	<u>2,375,601</u>
As at 31 December 2020	<u>120,364</u>	<u>1,285</u>	<u>3,170,882</u>	<u>3,292,531</u>

The carrying amount of financial assets held under resale agreements, for which the loss allowance is measured at an amount equal to 12-month and lifetime expected credit losses, is RMB58,598,895 thousand and RMB983,858 thousand respectively (As at 31 December 2020: RMB51,797,197 thousand and RMB4,064,604 thousand respectively).

(e) Analyzed by the stages of allowance for ECLs of stock-pledged financing:

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	23,716,501	155,470	3,095,067	26,967,038
Allowance for ECLs	(98,452)	(918)	(2,265,761)	(2,365,131)
Fair value of collateral	73,846,833	822,867	1,454,595	76,124,295
	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	23,228,325	250,904	6,984,577	30,463,806
Allowance for ECLs	(110,628)	(1,286)	(3,170,882)	(3,282,796)
Fair value of collateral	67,416,503	574,152	5,515,373	73,506,028

Section X Independent Auditor's Report and Notes to Financial Statements

33. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current

	As at 31 December	
	2021	2020
At fair value through profit or loss:		
Preferred stock/Perpetual bonds	7,069,743	3,958,649
Funds	6,094,904	4,463,010
Debt securities	4,489,079	12,568,586
Equity securities	2,293,098	5,036,538
Asset management schemes	—	601,931
	<hr/>	<hr/>
Total	<u>19,946,824</u>	<u>26,628,714</u>

	As at 31 December	
	2021	2020
Analyzed as:		
Listed in Hong Kong	3,481,517	404,301
Listed outside Hong Kong	1,931,102	6,039,532
Unlisted	14,534,205	20,184,881
	<hr/>	<hr/>
Total	<u>19,946,824</u>	<u>26,628,714</u>

Section X Independent Auditor's Report and Notes to Financial Statements

33. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Current

	As at 31 December	
	2021	2020
At fair value through profit or loss:		
Debt securities	127,265,477	105,040,775
Funds	76,982,953	54,897,601
Equity securities	32,806,547	20,046,359
Preferred stock/Perpetual bonds	12,531,362	1,718,527
Asset management schemes	11,244,267	8,084,911
Wealth management products	437,652	3,331,081
Other investments ⁽¹⁾	3,169,979	8,978,176
Total	<u>264,438,237</u>	<u>202,097,430</u>
Analyzed as:		
Listed in Hong Kong	25,927,623	18,188,836
Listed outside Hong Kong	90,053,787	71,416,760
Unlisted	<u>148,456,827</u>	<u>112,491,834</u>
Total	<u>264,438,237</u>	<u>202,097,430</u>

(1) Other investments mainly represent investments in precious metals, etc.

(2) As at 31 December 2021, financial assets at fair value through profit or loss of the Group included approximately RMB127,098,355 thousand (as at 31 December 2020: RMB90,984,609 thousand) of pledged, restricted or transferred assets.

34. REFUNDABLE DEPOSITS

	As at 31 December	
	2021	2020
Deposits with exchanges and other financial institutions:		
Futures deposits	34,181,270	24,216,302
Trading deposits	4,373,517	2,787,107
Performance deposits	1,021,154	1,324,111
Credit deposits	614,583	607,752
Other deposits	<u>605,168</u>	<u>480,129</u>
Total	<u>40,795,692</u>	<u>29,415,401</u>

Section X Independent Auditor's Report and Notes to Financial Statements

35. DEFERRED TAX

For the purpose of presentation in the Group's statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2021	2020
Deferred tax assets	1,845,465	1,761,582
Deferred tax liabilities	(111,309)	(139,059)
Total	<u>1,734,156</u>	<u>1,622,523</u>

The following are the major deferred tax assets and liabilities recognized and the movements thereon for the years ended 31 December 2021 and 2020:

Deferred tax arising from:	Allowance for ECLs/impairment losses	Employee benefits payable	Changes in fair value of financial instruments	Fair value revaluation on acquisition of subsidiaries	Deductible tax losses	Others	Total
As at 1 January 2020	1,189,973	1,011,966	(542,903)	(433,653)	57,802	(45,915)	1,237,270
Recognized in profit or loss	(12,424)	464,996	(291,001)	9,334	28,182	90,687	289,774
Recognized in other							
comprehensive income	–	–	125,537	–	–	24,529	150,066
Transferred out	(500)	–	(54,087)	–	–	–	(54,587)
As at 31 December 2020	1,177,049	1,476,962	(762,454)	(424,319)	85,984	69,301	1,622,523
Recognized in profit or loss	34,279	220,479	(662,017)	778	68,579	135,686	(202,216)
Recognized in other							
comprehensive income	–	–	84,410	–	–	(66,968)	17,442
Transferred out	–	–	57,100	–	–	–	57,100
Lost control of a subsidiary	(142,087)	(77,877)	9,431	423,541	–	26,299	239,307
As at 31 December 2021	<u>1,069,241</u>	<u>1,619,564</u>	<u>(1,273,530)</u>	<u>–</u>	<u>154,563</u>	<u>164,318</u>	<u>1,734,156</u>

The Group did not have significant unrecognized deductible temporary differences and deductible losses.

Section X Independent Auditor's Report and Notes to Financial Statements

36. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2021	2020
Advances relating to lawsuits	256,037	256,037
Term loan	192,434	—
Rental Deposit	53,931	26,369
Long-term deferred expenses	48,739	97,231
Prepayments	—	343,704
Others	764,098	901,451
Less: Allowance for ECLs	<u>(1,211,488)</u>	<u>(933,664)</u>
Total	<u><u>103,751</u></u>	<u><u>691,128</u></u>

(a) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2021	2020
At the beginning of the year	933,664	865,184
Charge for the year	307,936	125,777
Transfer in	165,522	—
Lost control of a subsidiary	(193,199)	—
Reversal	—	(57,297)
Amounts written off and others	<u>(2,435)</u>	<u>—</u>
At the end of the year	<u><u>1,211,488</u></u>	<u><u>933,664</u></u>

(b) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2021	<u>—</u>	<u>—</u>	<u>1,211,488</u>	<u>1,211,488</u>
As at 31 December 2020	<u>—</u>	<u>—</u>	<u>933,664</u>	<u>933,664</u>

Section X Independent Auditor's Report and Notes to Financial Statements

37. ACCOUNTS RECEIVABLE

	As at 31 December	
	2021	2020
Accounts receivable from:		
— Brokers and dealers	4,807,568	2,575,059
— Settlement	3,121,941	2,911,489
— Fee and commission	1,348,864	1,520,971
— Cash and custodian clients	52,992	93,176
— Fund management fee	1,364	136,754
Less: Allowance for ECLs	<u>(20,707)</u>	<u>(7,124)</u>
Total	<u><u>9,312,022</u></u>	<u><u>7,230,325</u></u>

(a) Analyzed by aging:

	As at 31 December	
	2021	2020
Within 1 year	9,312,022	7,228,658
1 to 2 years	—	1,667
	<u><u>9,312,022</u></u>	<u><u>7,230,325</u></u>

(b) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2021	2020
At the beginning of the year	7,124	7,093
Charge for the year	15,214	—
Reversal	—	—
Amounts written off and others	<u>(1,631)</u>	31
At the end of the year	<u><u>20,707</u></u>	<u><u>7,124</u></u>

(c) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2021	<u><u>20,707</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>20,707</u></u>
As at 31 December 2020	<u><u>7,124</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>7,124</u></u>

Section X Independent Auditor's Report and Notes to Financial Statements

38. OTHER CURRENT ASSETS

	As at 31 December	
	2021	2020
Term loans	825,595	1,416,275
Bulk commodity trading inventories	706,018	485,427
Dividends receivable	237,099	123,531
Rental deposit	182,956	123,737
Prepayments	87,130	14,058
Deferred expenses	31,090	54,543
Others	842,600	931,967
Less: Allowance for ECLs/impairment losses	<u>(1,196)</u>	<u>(165,997)</u>
Total	<u>2,911,292</u>	<u>2,983,541</u>

(a) Analysis of the movements of allowance for ECLs/impairment losses:

	Year ended 31 December	
	2021	2020
At the beginning of the year	165,997	132,168
Charge for the year	721	2,106
Transfer out	(165,522)	—
Amounts written off and others	<u>—</u>	<u>31,723</u>
At the end of the year	<u>1,196</u>	<u>165,997</u>

(b) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2021	<u>—</u>	<u>—</u>	<u>1,196</u>	<u>1,196</u>
As at 31 December 2020	<u>—</u>	<u>—</u>	<u>165,997</u>	<u>165,997</u>

Section X Independent Auditor's Report and Notes to Financial Statements

39. MARGIN ACCOUNTS RECEIVABLE

	As at 31 December	
	2021	2020
Individuals	79,503,522	75,666,184
Institutions	32,059,135	25,595,984
Less: Allowance for ECLs	<u>(2,275,350)</u>	<u>(1,832,821)</u>
Total	<u>109,287,307</u>	<u>99,429,347</u>

(a) Analysis of the movements of allowance for ECLs:

	Year ended 31 December	
	2021	2020
At the beginning of the year	1,832,821	1,356,832
Charge for the year	502,666	610,349
Reversal	—	—
Amounts written off and others	(41,686)	(134,360)
Lost control of a subsidiary	<u>(18,451)</u>	<u>—</u>
At the end of the year	<u>2,275,350</u>	<u>1,832,821</u>

(b) Analyzed by the stages of allowance for ECLs:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2021	<u>111,462</u>	<u>4,133</u>	<u>2,159,755</u>	<u>2,275,350</u>
As at 31 December 2020	<u>127,633</u>	<u>12,524</u>	<u>1,692,664</u>	<u>1,832,821</u>

The carrying amount of margin accounts receivable, for which the loss allowance is measured at an amount equal to 12-month and lifetime expected credit losses, are RMB108,776,218 thousand and RMB511,089 thousand respectively (2020: RMB98,452,695 thousand and RMB976,652 thousand respectively).

(c) The fair value of collateral for the margin financing and securities lending business is analyzed as follows:

	As at 31 December	
	2021	2020
Fair value of collateral:		
— Stocks	373,439,969	317,770,299
— Cash	18,352,879	12,060,505
— Funds	10,248,942	10,586,789
— Bonds	<u>670,575</u>	<u>351,309</u>
Total	<u>402,712,365</u>	<u>340,768,902</u>

Section X Independent Auditor's Report and Notes to Financial Statements

40. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2021		
	Nominal amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
— Treasury futures	19,002,007	—	(138,070)
— Interest rate swap	1,941,948,132	91,974	(148,551)
— Interest rate options	13,443,800	386	(7,961)
— Others	18,043,593	43,763	(211,779)
Equity derivatives			
— Stock index futures	38,995,269	56,791	(5,016)
— Forward contracts	2,400,635	44,430	(40,188)
— Equity return swaps	77,676,633	2,328,371	(3,877,569)
— Stock options	108,091,353	1,117,724	(2,966,267)
Currency derivatives			
— Currency swaps	8,888,798	6,821	(49,112)
— Foreign exchange forward	57,620,887	245,725	(433,069)
— Foreign exchange options	72,976,382	70	(1,259,404)
Other derivatives			
— Precious metals futures	3,531,704	38,204	(1,122)
— Au (T+D)	9,052	1	—
— Commodity futures	32,189,495	116,668	(6,871)
— Gold options	3,935,319	15,922	(439,549)
— Commodity options	16,526,197	115,306	(140,020)
— Credit default swap	5,081,877	89,766	(86,125)
— Others	2,398,769	108,636	(69,013)
Less: Cash (received)/paid as settlement		(263,159)	126,813
Total		<u>4,157,399</u>	<u>(9,752,873)</u>

Section X Independent Auditor's Report and Notes to Financial Statements

40. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

As at 31 December 2020			
	Nominal amount	Fair value	
		Assets	Liabilities
Interest rate derivatives			
— Treasury futures	32,636,355	—	(34,094)
— Interest rate swap	1,957,101,467	98,145	(270,747)
— Interest rate options	26,706,073	185,954	(18,530)
— Others	27,967,923	690,623	(671,458)
Equity derivatives			
— Stock index futures	19,832,674	246,068	(15,921)
— Forward contracts	2,461,129	105,258	(3,414)
— Equity return swaps	18,912,259	(38,670)	(1,669,634)
— Stock options	33,432,255	379,230	(2,081,860)
Currency derivatives			
— Currency swaps	4,489,131	—	(145,037)
— Foreign exchange forward	40,332,929	730,893	(154,838)
— Foreign exchange options	2,031,451	9,142	(44,982)
— Others	2,131,843	18,171	(3,537)
Other derivatives			
— Precious metals futures	5,250,939	—	(260,526)
— Au (T+D)	292,510	849	—
— Commodity futures	1,556,810	4,395	—
— Gold options	20,109,849	17,837	(179,473)
— Commodity options	15,223,902	67,695	(174,025)
— Credit default swap	3,461,632	10,718	(13,600)
— Others	3,635,044	66,158	(55,927)
Less: Cash (received)/paid as settlement		(378,240)	271,131
Total		<u>2,214,226</u>	<u>(5,526,472)</u>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap and currency swap contracts settled in the Shanghai Clearing House, stock index futures, treasury futures, precious metals futures, Au (T+D) and commodity futures were settled daily and the corresponding receipts and payments were included in clearing settlement funds.

Section X Independent Auditor's Report and Notes to Financial Statements

41. CLEARING SETTLEMENT FUNDS

	As at 31 December	
	2021	2020
Deposits with stock exchanges		
— China Securities Depository and Clearing Corporation Limited	6,701,098	5,999,167
— Others	24,924	50,530
Total	<u>6,726,022</u>	<u>6,049,697</u>

42. CASH HELD ON BEHALF OF BROKERAGE CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as accounts payable to brokerage customers on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies. In Mainland China, the use of cash held on behalf of customers for security and the settlement of their transactions are restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Customer Money) Rules" implementing the related provisions of the Securities and Futures Ordinance impose similar restrictions.

43. CASH AND BANK BALANCES

	As at 31 December	
	2021	2020
Cash on hand	411	398
Bank balances	31,655,816	25,275,060
Total	<u>31,656,227</u>	<u>25,275,458</u>

As at 31 December 2021 and 2020, the Group's bank balances of RMB305,412 thousand and RMB199,514 thousand, respectively, were restricted.

As at 31 December 2021, the ECL allowance for cash and bank balances amounted to RMB11,116 thousand (31 December 2020: RMB13,361 thousand).

Section X Independent Auditor's Report and Notes to Financial Statements

44. LOANS AND BORROWINGS

Current

	As at 31 December	
	2021	2020
Unsecured loans and borrowings ⁽¹⁾	<u>4,340,789</u>	<u>9,769,331</u>
Total	<u><u>4,340,789</u></u>	<u><u>9,769,331</u></u>

(1) As at 31 December 2021 and 2020, the current unsecured loans and borrowings of the Group were repayable within one year and bore interest at rates ranging from 0.78% to 0.97% per annum and from 1.09% to 4.09% per annum, respectively.

45. SHORT-TERM DEBT INSTRUMENTS

	Nominal interest rate	As at 1			As at
		January 2021	Increase	Decrease	31 December 2021
Short-term financing bills payable	2.10%-3.35%	9,041,957	19,121,497	18,111,290	10,052,164
Short-term corporate bonds	2.67%-3.40%	18,023,232	26,544,095	22,501,586	22,065,741
Medium-term notes	0.00%-3.00%	9,785,475	16,511,629	16,422,511	9,874,593
Structured notes	0.00%-4.50%	<u>11,873,704</u>	<u>8,784,388</u>	<u>16,629,288</u>	<u>4,028,804</u>
Total		<u><u>48,724,368</u></u>	<u><u>70,961,609</u></u>	<u><u>73,664,675</u></u>	<u><u>46,021,302</u></u>

	Nominal interest rate	As at			As at
		1 January 2020	Increase	Decrease	31 December 2020
Short-term financing bills payable	1.40%-3.35%	6,018,550	43,244,815	40,221,408	9,041,957
Short-term corporate bonds	2.95%-3.70%	2,007,578	18,027,007	2,011,353	18,023,232
Medium-term notes	1.00%-3.70%	3,133,819	11,968,642	5,316,986	9,785,475
Structured notes	2.30%-4.50%	<u>6,264,405</u>	<u>26,838,994</u>	<u>21,229,695</u>	<u>11,873,704</u>
Total		<u><u>17,424,352</u></u>	<u><u>100,079,458</u></u>	<u><u>68,779,442</u></u>	<u><u>48,724,368</u></u>

Section X Independent Auditor's Report and Notes to Financial Statements

46. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2021	2020
Placements from banks ⁽¹⁾	9,106,616	11,712,124
Placements from CSFC ⁽²⁾	3,002,217	2,008,794
Others	—	89,712
Total	<u>12,108,833</u>	<u>13,810,630</u>

(1) As at 31 December 2021 and 2020, placements from banks were repayable within one year, and bore interest at annual interest rates ranging from 2.30% to 3.11% and from 1.30% to 3.10%, respectively.

(2) As at 31 December 2021 and 2020, placements from CSFC were repayable within one year, and bore interest at annual interest rates 2.80% and from 2.50% to 2.80%, respectively.

47. ACCOUNTS PAYABLE TO BROKERAGE CUSTOMERS

	As at 31 December	
	2021	2020
Margin financing and securities lending deposits	18,352,879	18,142,491
Other brokerage business deposits	154,130,729	139,265,667
Total	<u>172,483,608</u>	<u>157,408,158</u>

Accounts payable to brokerage customers mainly include money held on behalf of customers in banks and clearing houses, and bear interest at the prevailing market interest rates.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage customers represent monies received from customers for their margin financing and futures trading activities under the normal course of business. Only amounts in excess of the required deposits and cash collateral stipulated are repayable on demand.

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

Section X Independent Auditor's Report and Notes to Financial Statements

48. EMPLOYEE BENEFITS PAYABLE

	As at 31 December	
	2021	2020
Salaries, bonuses and allowances	8,176,606	7,288,856
Social welfare and others	231,284	256,275
Contributions to a defined contribution scheme	16,285	23,641
	<u>8,424,175</u>	<u>7,568,772</u>
Total	<u>8,424,175</u>	<u>7,568,772</u>

The Group provides an additional enterprise annuity plan to employees in mainland China. According to the plan, when an employee leaves the company, some of the enterprise payment amount may be transferred back to the enterprise annuity enterprise account according to the actual working time. There is no case of using forfeited contributions to reduce the existing contribution level.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

49. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by collateral type:

Current

	As at 31 December	
	2021	2020
Bonds	140,937,997	122,832,607
Funds	14,915,827	10,991,957
Precious metals	9,030,268	9,494,853
Margin accounts receivable-backed repurchase	—	1,401,898
	<u>164,884,092</u>	<u>144,721,315</u>
Total	<u>164,884,092</u>	<u>144,721,315</u>

(b) Analyzed by market:

Current

	As at 31 December	
	2021	2020
Interbank market	84,991,495	72,942,370
Stock exchanges	70,862,329	60,882,194
Over the counter	9,030,268	10,896,751
	<u>164,884,092</u>	<u>144,721,315</u>
Total	<u>164,884,092</u>	<u>144,721,315</u>

Section X Independent Auditor's Report and Notes to Financial Statements

50. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Current

	As at 31 December	
	2021	2020
At fair value through profit or loss ⁽¹⁾		
— Equity securities	156,886	847,312
— Debt securities	5,692,128	4,447,835
— Gold	582,421	265,094
Designated as at fair value through profit or loss		
— Debt securities ⁽²⁾	26,916,228	21,858,279
— Interest attributable to other holders of consolidated structured entities ⁽³⁾	603,157	2,886,319
Total	<u>33,950,820</u>	<u>30,304,839</u>

Non-current

	As at 31 December	
	2021	2020
Designated as at fair value through profit or loss		
— Debt securities ⁽²⁾	13,146,702	17,456,170
— Interest attributable to other holders of consolidated structured entities ⁽³⁾	392,010	333,450
Total	<u>13,538,712</u>	<u>17,789,620</u>

(1) As at 31 December 2021 and 2020, included in the Group's financial liabilities through profit or loss were equity securities, bonds and gold borrowed by the Group.

(2) As at 31 December 2021 and 2020, included in the Group's financial liabilities designated as at fair value through profit or loss were structured notes generally in the form of notes or certificates with the underlying investments related to listed equity investments, listed debt investments and unlisted fund investments.

(3) As at 31 December 2021 and 2020, the financial liabilities arising from the consolidation of structured entities were designated as at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

Section X Independent Auditor's Report and Notes to Financial Statements

51. BONDS PAYABLE

Current

	As at 31 December	
	2021	2020
Corporate bonds ⁽¹⁾	27,487,916	16,743,305
Structured notes	3,337,489	4,986,221
Subordinated bonds ⁽¹⁾	120,848	3,015,173
Medium-term notes	1,300,289	—
Total	<u>32,246,542</u>	<u>24,744,699</u>

Non-current

	As at 31 December	
	2021	2020
Corporate bonds ⁽¹⁾	78,146,335	56,705,384
Structured notes	—	6,298,302
Subordinated bonds ⁽¹⁾	8,981,532	2,639,855
Medium-term notes	7,392,689	1,304,174
Total	<u>94,520,556</u>	<u>66,947,715</u>

Section X Independent Auditor's Report and Notes to Financial Statements

51. BONDS PAYABLE (continued)

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows:

As at 31 December 2021

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate bonds				
17 GUOJUN G2	600,000	2017.08	2022.08	4.70%
19 GUOJUN G1	3,000,000	2019.04	2022.04	3.90%
19 GUOJUN G3	2,900,000	2019.05	2022.05	3.73%
19 GUOJUN G4	2,500,000	2019.10	2022.10	3.48%
20 GUOJUN G6	3,900,000	2020.11	2022.11	3.80%
GTJA HOLD B2203 (i)	3,437,271	2019.03	2022.03	3.875%
GTJA SEC B2203 (ii)	1,993,335	2019.03	2022.03	0.562%
19 GTJA Financial Bond 01	8,000,000	2019.08	2022.08	3.48%
Non-current				
Corporate bonds				
18 GUOJUN G4	300,000	2018.07	2023.07	4.64%
20 GUOJUN G1	4,000,000	2020.01	2023.01	3.37%
20 GUOJUN G2	4,000,000	2020.03	2023.03	3.05%
20 GUOJUN G4	5,000,000	2020.07	2023.07	3.55%
20 GUOJUN G5	4,000,000	2020.09	2023.09	3.75%
20 GUOJUN G7	2,000,000	2020.11	2023.11	3.90%
20 GUOJUN G9	2,900,000	2020.12	2023.12	3.77%
21 GUOJUN G1	4,000,000	2021.04	2024.04	3.46%
21 GUOJUN G2	2,000,000	2021.04	2026.04	3.75%
21 GUOJUN G3	3,000,000	2021.05	2024.05	3.31%
21 GUOJUN G4	5,000,000	2021.05	2026.05	3.67%
21 GUOJUN G5	2,900,000	2021.06	2024.06	3.40%
21 GUOJUN G7	1,900,000	2021.07	2024.07	3.13%
21 GUOJUN G8	6,100,000	2021.07	2026.07	3.48%
21 GUOJUN G9	2,800,000	2021.08	2024.08	3.01%
21 GUOJUN 10	4,200,000	2021.08	2026.08	3.35%
21 GUOJUN 11	3,000,000	2021.08	2031.08	3.77%
21 GUOJUN 12	4,400,000	2021.09	2024.10	3.09%
21 GUOJUN 13	3,400,000	2021.09	2031.09	3.80%
21 GUOJUN 14	3,300,000	2021.10	2024.11	3.29%
21 GUOJUN 15	3,400,000	2021.10	2031.10	3.99%
GUOJUN Convertible bonds (iii)	7,000,000	2017.07	2023.07	1.80%
Subordinated bond				
21 GUOJUN C1	3,000,000	2021.01	2024.01	3.89%
21 GUOJUN C2	4,000,000	2021.12	2023.12	3.09%
21 GUOJUN C3	2,000,000	2021.12	2024.12	3.20%

Section X Independent Auditor's Report and Notes to Financial Statements

51. BONDS PAYABLE (continued)

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: (continued)

As at 31 December 2020

Name	Par value	Issue date	Maturity date	Coupon rate
Current				
Corporate bonds				
16 GUOJUN G4	3,000,000	2016.08	2021.08	3.14%
18 GUOJUN G1	4,300,000	2018.03	2021.03	5.15%
18 GUOJUN G2	4,300,000	2018.04	2021.04	4.55%
18 GUOJUN G3	4,700,000	2018.07	2021.07	4.44%
Subordinated bond				
16 GUOJUN C4	3,000,000	2016.11	2021.11	3.55%
Non-current				
Corporate bonds				
16 GUOJUN G2 (iv)	1,000,000	2016.04	2023.04	3.25%
17 GUOJUN G2	600,000	2017.08	2022.08	4.70%
18 GUOJUN G4	300,000	2018.07	2023.07	4.64%
19 GUOJUN G1	3,000,000	2019.04	2022.04	3.90%
19 GUOJUN G3	2,900,000	2019.05	2022.05	3.73%
19 GUOJUN G4	2,500,000	2019.10	2022.10	3.48%
20 GUOJUN G1	4,000,000	2020.01	2023.01	3.37%
20 GUOJUN G2	4,000,000	2020.03	2023.03	3.05%
20 GUOJUN G4	5,000,000	2020.07	2023.07	3.55%
20 GUOJUN G5	4,000,000	2020.09	2023.09	3.75%
20 GUOJUN G6	3,900,000	2020.11	2022.11	3.80%
20 GUOJUN G7	2,000,000	2020.11	2023.11	3.90%
20 GUOJUN G9	2,900,000	2020.12	2023.12	3.77%
GUOJUN Convertible bonds	7,000,000	2017.07	2023.07	1.50%
GTJA HOLD B2203 (i)	3,437,271	2019.03	2022.03	3.875%
GTJA SEC B2203 (ii)	1,993,335	2019.03	2022.03	0.584%
19 GTJA Financial Bond 01	8,000,000	2019.08	2022.08	3.48%
Subordinated bond				
20 Shanghai Securities C1 (v)	2,600,000	2020.08	2023.08	4.55%

Section X Independent Auditor's Report and Notes to Financial Statements

51. BONDS PAYABLE (continued)

- (1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: (continued)
- (i) In March 2019, Guotai Junan Holdings Limited (BVI) issued 3-year corporate bonds with a par value of USD500 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5853 and bear a fixed annual interest rate of 3.875% payable on a semi-annual basis.
 - (ii) In March 2019, the Company issued 3-year corporate bonds with a par value of EUR255 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5883 and bear a floating annual interest rate with an initial coupon rate of 0.832% payable on a quarterly basis.
 - (iii) In July 2017, as approved by the CSRC, the Company issued 6-year A-share convertible bonds with par value of RMB7 billion. The convertible bond bears a fixed annual interest rate of 0.20% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. The initial conversion price is RMB20.20 per share. The convertible bonds holders may exercise their rights to convert the convertible bonds into the Company's A shares at the stipulated conversion price during the period ("Conversion Period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Company shall redeem the outstanding convertible bonds at 105% of the par value, inclusive of interest for the sixth year.

During the Conversion Period, if the closing price of the Company's A Shares is not less than or equal to 130% of the prevailing conversion price for at least 15 trading days out of any 30 consecutive trading days, or if the total outstanding amount is less than RMB30 million, the Company has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest.

The convertible corporate bonds issued have been split into the liability and equity components. After considering direct transaction costs, the Company recognized the equity part of the convertible corporate bonds as other equity instruments amounting to RMB1,129,841 thousand.

As at 31 December 2021, convertible corporate bonds with a principal amount of RMB9,819 thousand were converted into 515,723 ordinary A shares.

- (iv) In April 2016, as approved by the CSRC, the Company issued 7-year corporate bonds with par value of RMB1 billion. The bonds bear an annual interest rate of 3.25% payable on an annual basis. At the end of the fifth year, the Company has a right to adjust the interest rate which will be fixed for the remaining two years. The Company has an option to redeem and the investors have an option to put back the bonds at the end of the fifth year. In April 2021, the Company redeemed all of the bonds.
- (v) Shanghai Securities has ceased to be a subsidiary of the Company since February 2021 and the Group has derecognized this bond accordingly.

Section X Independent Auditor's Report and Notes to Financial Statements

52. OTHER CURRENT LIABILITIES

	As at 31 December	
	2021	2020
Accounts payable arising from derivative brokerage	28,297,282	10,632,550
Settlement payables to clearing house and customers	5,898,881	6,699,497
Accounts payable to brokers	2,784,978	2,187,235
Accounts payable arising from warehouse receipt pledge	2,068,864	1,264,666
Bank's acceptance bill payable	838,000	175,000
Accounts payable arising from equity incentives	626,232	603,560
Other tax payable	545,860	877,306
Proceeds from underwriting securities received on behalf of customers	471,147	348,459
Advance received from issuance of financial products	240,485	51,173
Dividends payable	224,570	279,348
Dividend received on behalf of customers	123,207	1,091
Commission payable to other distributors	122,090	94,751
Underwriting fee payable in relation to IPO	118,169	198,169
Interest payable	75,382	76,068
Payables for the securities investor protection fund	73,165	68,836
Gold borrowing expenses payable	29,528	20,843
Advance received from customers	14,841	68,649
Payables to priority tranche holders of structured entities	2,484	675,413
Others	<u>1,360,580</u>	<u>1,082,641</u>
Total	<u><u>43,915,745</u></u>	<u><u>25,405,255</u></u>

53. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2021	2020
Risk reserve for the futures brokerage business	155,306	161,456
Provisions	225,676	88,613
Payables to priority tranche holders of structured entities	—	24,595
Total	<u><u>380,982</u></u>	<u><u>274,664</u></u>

The Group has no significant long-aging accounts payable.

Section X Independent Auditor's Report and Notes to Financial Statements

54. SHARE CAPITAL

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

	As at 31 December	
	2021	2020
At the beginning of the year	8,908,448	8,907,948
The conversion of convertible bonds into ordinary shares	<u>2</u>	<u>500</u>
At the end of the year	<u>8,908,450</u>	<u>8,908,448</u>

55. OTHER EQUITY INSTRUMENTS

	As at 31 December	
	2021	2020
Perpetual subordinated bonds ⁽¹⁾	9,943,396	9,943,396
Equity component of convertible bonds ⁽²⁾	<u>1,128,260</u>	<u>1,128,265</u>
Total	<u>11,071,656</u>	<u>11,071,661</u>

- (1) As approved by the CSRC, the Company issued two batches of perpetual subordinated bonds ("19 Guojun Y1" and "20 Guojun Y1") amounting to RMB5 billion and RMB5 billion with an initial interest rate of 4.20% and 3.85% in September 2019 and March 2020, respectively. The perpetual subordinated bonds have no fixed maturity dates and the Company has an option to redeem the bonds at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards.

The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 working days before the adjustment.

The issuer has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the Group's statement of financial position.

During the year ended 31 December 2021 and 2020, the Company recognized dividends payable to holders of the perpetual subordinated bonds amounting to RMB403 million and RMB403 million (Note 20), respectively.

- (2) Refer to Note 51 for the issuance of convertible bonds.

Section X Independent Auditor's Report and Notes to Financial Statements

56. RESERVES AND RETAINED PROFITS

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of the acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

(2) Investment revaluation reserve

Investment revaluation reserve mainly represents the fair value changes of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income.

(3) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve.

(4) Surplus reserve

The surplus reserve includes the statutory surplus reserve and discretionary surplus reserve.

Pursuant to the "Company Law of the People's Republic of China", the articles of association of the Company and the decision of the Board, the Company is required to set aside 10% of its net profit (after offsetting the accumulated losses incurred in previous years) to the statutory surplus reserve until the balance reaches 50% of the respective registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, and may also be 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.

(5) General reserve

The general reserve includes the general risk reserve and the 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 annual net profit to the general risk reserve.

Section X Independent Auditor's Report and Notes to Financial Statements

56. RESERVES AND RETAINED PROFITS *(continued)*

(5) General reserve *(continued)*

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% of its annual net profit to the transaction risk reserve.

(6) Retained profits

The movements in retained profits are set out below:

	Year ended 31 December	
	2021	2020
At the beginning of the year	46,504,462	41,335,967
Profit for the year	15,013,480	11,122,099
Appropriation to surplus reserve	—	—
Appropriation to general reserve	(2,617,572)	(1,952,783)
Dividends	(4,983,132)	(3,439,391)
Distribution to other equity instrument holders	(402,500)	(402,500)
Lost control of a subsidiary	432,122	—
Others	185,354	(158,930)
At the end of the year	<u>54,132,214</u>	<u>46,504,462</u>

Section X Independent Auditor's Report and Notes to Financial Statements

57. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

	As at 31 December	
	2021	2020
Cash on hand	411	398
Bank balances	31,655,816	25,275,060
Clearing settlement funds	6,726,022	6,049,697
Financial assets held under resale agreements with original maturity of less than three months	32,227,933	27,566,749
Less: bank deposits with original maturity of more than three months, risk reserve deposits, restricted bank balances and clearing settlement funds	<u>(1,965,698)</u>	<u>(2,068,228)</u>
Total	<u>68,644,484</u>	<u>56,823,676</u>

(b) Changes in liabilities arising from financing activities

	Short-term			
	Loans and borrowings	debt instruments	Bonds payable	Lease liabilities
At 1 January 2020	11,802,724	17,424,352	69,573,553	2,363,837
Changes from financing cash flows	(2,033,343)	31,150,546	22,122,183	(585,848)
Interest expenses	433,752	732,913	3,325,141	88,946
Interest paid	(433,802)	(583,443)	(3,328,463)	(88,946)
New leases	—	—	—	296,005
Other non-cash changes	—	—	—	(120,365)
At 31 December 2020	9,769,331	48,724,368	91,692,414	1,953,629
Changes from financing cash flows	(5,428,543)	(723,182)	37,238,304	(522,392)
Interest expenses	123,813	1,228,529	3,774,985	78,149
Interest paid	(123,812)	(1,107,850)	(3,083,540)	(78,149)
New leases	—	—	—	807,691
Lost control of a subsidiary	—	(2,100,563)	(2,649,713)	(153,016)
Other non-cash changes	—	—	(205,352)	(145,804)
At 31 December 2021	<u>4,340,789</u>	<u>46,021,302</u>	<u>126,767,098</u>	<u>1,940,108</u>

Section X Independent Auditor's Report and Notes to Financial Statements

57. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	Year ended 31 December	
	2021	2020
Within operating activities	36,478	253,457
Within financing activities	600,541	674,794

58. TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize these assets.

(1) Repurchase agreements

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The Group transfers the contractual rights to receive the cash flows of these securities, but has an obligation to repurchase them at the agreed date and price. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

Transferred financial assets that do not qualify for derecognition also include margin accounts receivable-backed repurchase whose beneficial rights are transferred to counterparties and repurchased by the Group at the maturity date. The Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

(2) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to customers for the securities lending business, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities lent.

Section X Independent Auditor's Report and Notes to Financial Statements

58. TRANSFERRED FINANCIAL ASSETS *(continued)*

(3) Asset-backed securities management schemes

The Group sells margin accounts receivable to the securitization vehicle, which in turn issues asset-backed securities to investors with the purchased assets as the underlying assets. Such securitization vehicle is consolidated by the Group, and consequently the underlying assets are transferred from the Group to the investors. The Group has the obligation to pass cash flows from the underlying assets to the investors. The cash flows that the securitization vehicle collects from the transferred assets have not been passed through to investors without material delay, and the Group has the obligation to repurchase these margin accounts receivable on specified future dates and at agreed-upon prices. Thus the Group has not derecognized these financial assets in the consolidated statement of financial position. The consideration received from the investors is recognized as a financial liability.

(4) Margin financing borrowing

Transferred financial assets that do not qualify for derecognition include securities transferred to CSFC. When CSFC exercises the rights attached to the securities, it shall follow the instructions of the Group. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities transferred.

The following tables provide a summary of the carrying amounts related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

	Repurchase agreements	Securities lending	Margin accounts receivable- backed repurchase	Margin financing borrowing
31 December 2021				
Carrying amount of transferred assets	<u>2,271,856</u>	<u>3,943,409</u>	<u>—</u>	<u>1,937,621</u>
Carrying amount of related liabilities	<u>4,749,974</u>	<u>N/A</u>	<u>—</u>	<u>N/A</u>
	Repurchase agreements	Securities lending	Margin accounts receivable- backed repurchase	Margin financing borrowing
31 December 2020				
Carrying amount of transferred assets	<u>5,135,236</u>	<u>3,273,453</u>	<u>1,477,505</u>	<u>2,344,386</u>
Carrying amount of related liabilities	<u>5,112,166</u>	<u>N/A</u>	<u>1,401,898</u>	<u>N/A</u>

Section X Independent Auditor's Report and Notes to Financial Statements

59. COMMITMENTS

In October 2021, the third interim meeting of the sixth session of the Board of Directors approved the Company to enter into the Equity Transfer Agreement with Shanghai Sitico Assets Management Co., Ltd. to acquire 15% equity interest in HuaAn Funds at a consideration of no more than RMB1.812 billion, subject to the finalized valuation report of the total equity interests in HuaAn Funds to be filed with and confirmed by the competent state asset supervisory authority of the PRC. As at 31 December 2021, the proposed acquisition is still subject to the approval from the competent state assets supervisory authority of the PRC and the CSRC (As at 31 December 2020, the Group has no material commitments that need to be disclosed).

60. CONTINGENCIES

As at 31 December 2021 and 31 December 2020, the contingent liabilities due to pending litigations amounted to RMB735,188 thousand and RMB713,831 thousand, respectively.

61. EQUITY SETTLED SHARE BASED TRANSACTIONS

(a) Share-based payments of the Company

The Company carried out a restricted share Incentive scheme of A shares whereby the Company grant restricted A shares to the Incentive Participants in return for their services. Details of the scheme as at 31 December 2021 are set out below:

	Year ended 31 December	
	2021	2020
Granted during the year	9,999,990	79,000,000
Exercised/Unlocked during the year	—	—
Forfeited during the year	1,778,000	—

As at 31 December 2021, cumulative amount of RMB387,785,097 was recognized within the capital reserve of the Company. The total expenses booked for the year was RMB301,019,397.

The fair value of services received in return for restricted share incentive scheme is measured by reference to the fair value of shares. The estimate of the fair value of restricted shares granted is measured based on the closing price of shares at grant date.

(b) Share-based payments of a subsidiary

GJIHL, a subsidiary of the Company, operated two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") for the purpose of motivating and rewarding staff who contributed to GJIHL's operations. During the year ended 31 December 2021, the total equity-settled share-based compensation expense of RMB6,456 thousand was recognized in profit or loss (2020: RMB21,142 thousand).

Section X Independent Auditor's Report and Notes to Financial Statements

62. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(1) Major shareholders

Major shareholders include shareholders with shareholdings of 5% or above in the Company.

Share percentage in the Company:

	As at 31 December	
	2021	2020
Shanghai State-owned Assets Operation Co., Ltd. ("Shanghai SA")	21.34%	21.34%
Shanghai International Group Co., Ltd. ("SIG")	7.66%	7.66%
Shenzhen Investment Holding Co., Ltd.	6.84%	6.84%

(2) Subsidiaries of the Company

The detailed information of the Company's subsidiaries is set out in Note 27.

(3) Associates and joint ventures of the Group

The detailed information of the Group's associates and joint ventures is set out in Note 29.

Section X Independent Auditor's Report and Notes to Financial Statements

62. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(a) Relationship of related parties (continued)

(4) Other related parties of the Group

Name of the related parties	Relationship of the related parties
Shanghai Rural Commercial Bank ("SRCB")	The director of the Company acts as a director of the entity
Zheng Tong Co., Ltd. ("Zhengtong")	The retired senior management of the Company acts as a director of the entity
Shanghai Pudong Development Bank Co., Ltd. ("SPD Bank")	The director of the Company acts as a director of the entity
Great Wall Securities Co., Ltd. ("GW Securities")	The supervisor of the Company acts as the vice chairman of the entity
Shanghai International Group Asset Management Co., Ltd. ("SIG AM")	SIG controls the entity
Yangtze River Economy United Development (Group) Co., Ltd. ("YUDC")	The retired director of the Company acted as the vice chairman of the entity
Bright food (Group) Co., Ltd. ("Bright Food")	The retired director of the Company acted as a director of the entity
Shanghai Pudong Development Bank Financial Leasing Co., Ltd. ("SPDB Financial Leasing")	The senior management of Shanghai SA acts as a director of the entity
Guoxin Investment Development Co., Ltd. ("GXID")	Shanghai SA controls the entity
Shanghai Sitico Assets Management Co., Ltd. ("SITICO AM")	SIG controls the entity
Shanghai Chengtou Group Co., Ltd. ("Chengtou Group")	The director of the Company acts as the senior management of the entity
CITIC Trust Co., Ltd. ("CITIC Trust")	The trustee of a trust in favor of Shanghai SA
China Three Gorges Co., Ltd. ("CTG")	The director of the Company acts as the external director of the entity
Shanghai Junyao (Group) Co., Ltd. ("Junyao Group")	The retired director of the Company acted as the vice chairman of the entity
New China Capital Management Co., Ltd. ("New China Capital")	The director of the Company acts as the director and CEO of the entity
Shanghai Guosheng Capital Management Co., Ltd. ("SGC AM")	The director of the Company acts as a director of the entity
China Foreign Economy and Trade Trust Co., Ltd. ("FOTIC")	The trustee of a trust in favor of Shanghai SA
China Jinmao Holdings Group Limited ("China Jinmao")	The director of the Company acts as a director of the entity

Section X Independent Auditor's Report and Notes to Financial Statements

62. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties

(1) Fee and commission income from related parties

Name of related parties	Description of transaction	Year ended 31 December	
		2021	2020
FOTIC	Securities brokerage	7,458	N/A
CITIC Trust	Securities brokerage	2,069	6,460
New China Capital	Securities brokerage	1,156	—
SIG	Securities brokerage	380	2,373
HuaAn Funds	Securities brokerage	145	—
Shanghai SA	Securities brokerage	22	846
GXID	Securities brokerage	10	247
SITICO AM	Securities brokerage	—	192
SIG AM	Securities brokerage	—	5
HuaAn Funds	Trading seats lending	164,464	73,422
SRCB	Underwriting	32,817	917
Bright Food	Underwriting	4,528	2,830
SIG AM	Underwriting	3,074	306
Shanghai SA	Underwriting	1,152	10,260
SPDB Financial Leasing	Underwriting	967	660
Chengtou Group	Underwriting	943	1,415
SPD Bank	Underwriting	568	1,001
SIG	Underwriting	—	1,321
YUDC	Underwriting	N/A	1,023
SRCB	Asset management	11,212	5,639
SPD Bank	Asset management	7,551	11,328
GXID	Asset management	130	241
Shanghai SA	Asset management	37	162
Shanghai Securities	Asset management	16	N/A
SIG	Asset management	15	75
SGC AM	Asset management	3	—
YUDC	Asset management	N/A	336
SIG	Financial advisory	377	—

Section X Independent Auditor's Report and Notes to Financial Statements

62. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

(2) Fee and commission expense to related parties

Name of related parties	Description of transaction	Year ended 31 December	
		2021	2020
Zhengtong	Third-party funds inquiry business	2,900	2,000
SPD Bank	Third-party funds depository business	1,182	1,485

(3) Interest received from related parties

Name of related parties	Description of transaction	Year ended 31 December	
		2021	2020
SPD Bank	Financial assets held under resale agreements	508	1,253
HuaAn Funds	Financial assets held under resale agreements	83	—
SRCB	Financial assets held under resale agreements	—	129
SPD Bank	Deposit in financial institutions	224,893	196,198

Section X Independent Auditor's Report and Notes to Financial Statements

62. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

(4) Interest paid to related parties

Name of related parties	Description of transaction	Year ended 31 December	
		2021	2020
SRCB	Financial assets sold under repurchase agreements	12,394	4,533
SPD Bank	Financial assets sold under repurchase agreements	2,980	5,666
HuaAn Funds	Financial assets sold under repurchase agreements	1,013	—
FOTIC	Accounts payable to brokerage customers	775	N/A
Shanghai SA	Accounts payable to brokerage customers	236	785
HuaAn Funds	Accounts payable to brokerage customers	81	—
CITIC Trust	Accounts payable to brokerage customers	46	19
Bright Food	Accounts payable to brokerage customers	38	—
GXID	Accounts payable to brokerage customers	34	76
SPD Bank	Accounts payable to brokerage customers	—	9
SPD Bank	Gold borrowing	9,870	5,052
SRCB	Gold borrowing	4,957	—
SPD Bank	Placements from other financial institutions	1,892	15,011
SRCB	Placements from other financial institutions	462	470
CITIC Trust	Bonds	9,869	715
SPD Bank	Bonds	3,781	18,060
SITICO AM	Loans and borrowings	—	40,986
SIG	Loans and borrowings	—	21,190

Section X Independent Auditor's Report and Notes to Financial Statements

62. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

- (5) Operating expenses and costs paid to related party

Name of related party	Description of transaction	Year ended 31 December	
		2021	2020
SPD Bank	Sales of financial products	10,548	15,803

- (6) Related party transactions with Shanghai International Group Co., Ltd. constitute continuing connected transactions as defined by the Hong Kong Listing Rules. For the year ended 31 December 2021, the annual caps and the actual amounts of securities and financial products transactions and financial services related continuing connected transactions with Shanghai International Group Co., Ltd. and its associates are as follows:

Description of transaction	Year ended 31 December			
	2021		2020	
	Caps RMB in million	Actual amount RMB in million	Caps RMB in million	Actual amount RMB in million
Securities and financial products				
Inflow	6,170.00	1,043.80	5,609.10	1,525.20
Outflow	6,138.90	643.44	5,580.80	779.00
Financial services				
Revenue generated	144.67	6.46	137.78	24.74
Fees paid	62.00	0.28	59.05	3.43

Section X Independent Auditor's Report and Notes to Financial Statements

62. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties

(1) Deposits with related parties

Name of related parties	Year ended 31 December	
	2021	2020
SPD Bank	6,238,209	9,973,785
SRCB	6	8

(2) Accounts receivable

Name of related parties	Description of transaction	Year ended 31 December	
		2021	2020
HuaAn Funds	Trading seats lending	110,113	51,685
SPD Bank	Management fee and Remuneration	3,730	10,424
SRCB	Management fee and Remuneration	1,124	3,936
GXID	Management fee and Remuneration	130	775
Shanghai Securities	Management fee and Remuneration	35	N/A
Shanghai SA	Management fee and Remuneration	—	20
SIG	Management fee and Remuneration	—	4
YUDC	Management fee and Remuneration	N/A	43

Section X Independent Auditor's Report and Notes to Financial Statements

62. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

(3) Financial assets held under resale agreements

Name of related parties	Year ended 31 December	
	2021	2020
SPD Bank	—	750,953
Shanghai SA	—	748,934

(4) Accounts payable

Name of related parties	Description of transaction	Year ended 31 December	
		2021	2020
SPD Bank	Sales of financial products	14,898	11,053
Shanghai Securities	Sales of financial products	30	N/A
SPD Bank	Third-party funds depository business	—	724

(5) Financial assets sold under repurchase agreements

Name of related party	Year ended 31 December	
	2021	2020
SPD Bank	300,483	1,284,676

(6) the bonds issued by the Company subscribed by related parties

Name of related parties	Year ended 31 December	
	2021	2020
SPD Bank	1,978,610	1,707,166
CITIC Trust	659,890	80,715

Section X Independent Auditor's Report and Notes to Financial Statements

62. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

(7) Bonds held by the Group

Name of related parties	Year ended 31 December	
	2021	2020
SPD Bank	1,711,232	1,200,516
GW Securities	411,362	623,460
SPDB Financial Leasing	204,790	—
China Jinmao	12,751	—
Bright Food	—	351,554
CTG	—	318,622
Junyao Group	N/A	31,177

(8) Loans and borrowings with related parties

Name of related parties	Year ended 31 December	
	2021	2020
SPD Bank	—	1,313,473
SITICO AM	—	1,054,533
SIG	—	495,631

(d) Remuneration of senior management personnel

Remuneration of senior management personnel of the Group is as follows:

	Year ended 31 December	
	2021	2020
Salaries, allowances and benefits	6,985	7,981
Pension scheme contributions and other social welfare	1,532	964
Discretionary bonuses	11,107	15,094
Restricted share incentive scheme	15,038	3,912
Total	<u>34,662</u>	<u>27,951</u>

Further details of directors' and supervisors' emoluments are included in Note 18.

Section X Independent Auditor's Report and Notes to Financial Statements

63. SEGMENT REPORTING

During the year of 2021, the Group commenced to allocate resources and assess the segment performance based on the revised grouping of operating segments. Accordingly, the Group has restated the previously reported segment information for the year ended 31 December 2020 and as at 31 December 2020.

- (1) The wealth management segment, which mainly provides securities and futures brokerage, financial products, investment advisory, stock pledging, margin financing and securities lending, agreed securities repurchase and other services to clients.
- (2) The investment banking segment, which primarily includes sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory services and diversified corporate solutions to corporate and government clients.
- (3) The institutional and trading segment, mainly consists of research, institutional brokerage, trading and investment and equity investment. Among which, institutional brokerage mainly provides prime brokers, seat leasing, custody and outsourcing, QFII and other services to institutional clients; Our trading and investment business mainly includes investment transactions in stocks, fixed income, foreign exchange, large commodities and their derivative financial instruments, as well as providing integrated financial solutions for clients' investment, financing and risk management.
- (4) The investment management segment, which primarily includes asset management and fund management services to institutions and individuals.
- (5) The international segment conducts brokerage, corporate finance, asset management, loans and financing services, as well as financial products, market making and investment businesses mainly through GJIHL in Hong Kong, and has expanded its business presence into the United States, Europe, Southeast Asia and other regions.
- (6) The other segment includes government grants and other general operating expenses.

Section X Independent Auditor's Report and Notes to Financial Statements

63. SEGMENT REPORTING *(continued)*

(a) Operating segments

	Year ended 31 December 2021						
	Wealth management	Investment banking	Institutional and trading	Investment management	International business	Other	Total
Segment total revenue and other income							
Fee and commission income	10,699,438	3,736,176	2,485,961	1,705,180	1,253,887	–	19,880,642
Interest income	11,711,196	–	3,276,772	47,709	717,136	150	15,752,963
Net investment gains	–	–	8,583,630	12,925	1,703,649	–	10,300,204
Other income and gains	–	–	8,632,532	67,245	(12,983)	651,815	9,338,609
Gain on losing control of a subsidiary	–	–	1,138,769	–	–	–	1,138,769
Total revenue and other income	<u>22,410,634</u>	<u>3,736,176</u>	<u>24,117,664</u>	<u>1,833,059</u>	<u>3,661,689</u>	<u>651,965</u>	<u>56,411,187</u>
Segment expenses	(15,521,353)	(2,374,418)	(14,646,970)	(992,283)	(2,351,763)	(1,950,842)	(37,837,629)
Including: Interest expenses	(5,380,467)	–	(4,039,501)	(8,849)	(676,826)	(56,767)	(10,162,410)
Credit loss expense	49,842	–	(207,708)	–	(183,157)	–	(341,023)
Provision for impairment losses	–	–	(721)	–	–	–	(721)
Segment operating profit	6,889,281	1,361,758	9,470,694	840,776	1,309,926	(1,298,877)	18,573,558
Share of profits of associates and joint ventures	–	–	179,987	358,736	–	–	538,723
Segment profit before income tax	6,889,281	1,361,758	9,650,681	1,199,512	1,309,926	(1,298,877)	19,112,281
Income tax expense							<u>(3,809,739)</u>
Segment profit for the year							<u><u>15,302,542</u></u>
As at 31 December 2021							
Segment total assets	310,688,258	4,111,935	352,454,893	16,694,846	104,159,858	3,163,025	791,272,815
Segment total liabilities	258,296,248	2,384,463	288,708,306	2,074,517	88,715,037	457,652	640,636,223
Year ended 31 December 2021							
Other segment information:							
Depreciation and amortization expenses	541,861	7,171	614,705	29,117	68,851	5,517	1,267,222
Capital expenditure	365,099	4,832	414,181	19,619	46,391	3,717	853,839

Section X Independent Auditor's Report and Notes to Financial Statements

63. SEGMENT REPORTING (continued)

(a) Operating segments (continued)

	Year ended 31 December 2020						
	Wealth management	Investment banking	Institutional and trading	Investment management	International business	Other	Total
Segment total revenue and other income							
Fee and commission income	8,939,246	3,358,757	1,769,794	1,436,939	1,214,873	7	16,719,616
Interest income	10,052,474	—	3,350,040	41,028	1,052,008	132	14,495,682
Net investment gains	—	—	6,107,719	457,593	2,335,885	—	8,901,197
Other income and gains	—	—	5,390,261	194,645	73,516	670,423	6,328,845
Total revenue and other income	18,991,720	3,358,757	16,617,814	2,130,205	4,676,282	670,562	46,445,340
Segment expenses	(13,656,717)	(1,709,221)	(10,427,873)	(1,030,494)	(3,089,796)	(1,814,820)	(31,728,921)
Including: Interest expenses	(4,540,296)	—	(3,231,656)	(22,609)	(949,727)	(60,366)	(8,804,654)
Credit loss expense	(865,022)	—	(69,792)	(56,251)	(321,232)	—	(1,312,297)
Provision for impairment losses	—	—	(62)	—	—	—	(62)
Segment operating profit	5,335,003	1,649,536	6,189,941	1,099,711	1,586,486	(1,144,258)	14,716,419
Share of profits of associates and joint ventures	—	—	16,499	139,026	—	—	155,525
Segment profit before income tax	5,335,003	1,649,536	6,206,440	1,238,737	1,586,486	(1,144,258)	14,871,944
Income tax expense							(3,134,874)
Segment profit for the year							<u>11,737,070</u>
As at 31 December 2020							
Segment total assets	280,455,463	4,072,990	290,714,488	16,020,164	108,430,621	3,205,446	702,899,172
Segment total liabilities	240,390,686	1,904,074	216,457,853	2,125,619	95,250,826	532,296	556,661,354
Year ended 31 December 2020							
Other segment information:							
Depreciation and amortization expenses	618,100	8,977	640,711	35,307	61,394	7,064	1,371,553
Capital expenditure	358,878	5,212	372,006	20,500	35,646	4,101	796,343

Section X Independent Auditor's Report and Notes to Financial Statements

63. SEGMENT REPORTING *(continued)*

(b) Geographical segments

Revenue	Year ended 31 December	
	2021	2020
Mainland, China	42,259,137	35,513,729
Hong Kong, China and overseas	3,674,672	4,602,766
Total	<u>45,933,809</u>	<u>40,116,495</u>

The Group's non-current assets are mainly located in Mainland China (country of domicile).

(c) Information about a major customer

The Group has no single customer which contributed to 10 percent or more of the Group's revenue for the years ended 31 December 2021 and 2020.

64. FINANCIAL RISK MANAGEMENT

(1) Policies for and structure of risk management

Policies for risk management

The Group faces various financial risks in the normal course of business, mainly including credit risk, liquidity risk and market risk. The Group has established policies and procedures to identify and evaluate these risks, and continually monitors these risks by setting appropriate risk limits and internal control systems and through reliable management and information systems. The Group's risk management policies include two aspects: the objective of risk management and the principles of risk management.

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(1) Policies for and structure of risk management *(continued)*

Policies for risk management *(continued)*

Objective for risk management

The overall objective of the Group's risk management is to establish a management mechanism that enables scientific decision-making, standardized operation, efficient management and sustainable development that can maintain the Group's financial stability and improve its market position and performance. Specifically, it includes:

- ensuring strict compliance with relevant laws, regulations and the Group's policies;
- establishing and improving corporate governance that meets current requirements, and building scientific and proper processes of decision-making, execution, supervision and feedback;
- establishing a set of robust and effective risk management policies to identify errors and fraud, close loopholes, and ensure a healthy conduct of business activities;
- setting up a proper and effective risk measurement and analysis system, which can effectively identify, measure, analyze and evaluate various risks that may arise from the normal course of business, to ensure the safety and integrity of the Group's assets;
- improving management efficiency and effectiveness, striving to keep assets secured and risks well managed based on effective control of risk.

Principles for risk management

The principles for risk management include: appropriateness, coverage, independence, effectiveness, forward looking.

Structure of risk management

The Group's risk management structure includes corporate governance structure and risk management organizational structure.

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(1) Policies for and structure of risk management *(continued)*

Structure of risk management *(continued)*

Corporate governance structure

According to the “Company Law”, “Securities Law” and “Code of Corporate Governance for Securities Companies” and other laws and regulations, the Group has established a modern corporate governance structure that features management comprising of Shareholders’ Meetings, the Board of Directors, the Board of Supervisors and the senior management. The Group manages risks by explicitly stipulating management’s authorization, responsibility and business objectives, and regulating their behaviors.

Organizational structure of risk management

The Company has established a four-level risk management system consisting of the Board (including Risk Control Committee) and Supervisory Committee, operation management (including risk management committee and assets and liabilities management committee), risk management department, other business departments and branches and subsidiaries. Risk management departments include those which are specifically responsible for risk management, such as the risk management department, the internal audit risk management department, the legal compliance department, and the group audit center, as well as departments that perform other risk management duties, such as the planning and finance department, the assets and liabilities department, the IT department, the operation center and the executive office.

(2) Credit risk

The Group’s cash and bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks with adequate capital. Clearing settlement funds are mainly deposited with China Securities Depository and Clearing Corporation Limited. The credit risk on cash and cash equivalents is relatively low.

The Group primarily faces three types of credit risks: firstly, the risk of loss arising from the Group’s obligation to settle on behalf of its customers in securities trading or derivative trading on the customers’ accounts which become under-margined on the settlement date due to the Group’s failure to require full margin deposits before the transactions or because the customers are unable to cover their transactions due to other reasons; secondly, the credit risk associated with its securities financing activities, which is the risk of losses due to defaults of its margin financing and securities lending clients, securities repurchase clients and stock-pledged financing clients; thirdly, the default risk of investments in credit products, namely the risk of asset impairment and changes in investment returns due to defaults of borrowers or issuers who refuse to repay the principal and interest when due.

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

In order to manage the credit risk arising from the brokerage business, securities and futures brokerage transactions in Mainland China are all settled on a full-pledged basis, which enables the Group's credit risk associated with the brokerage business to be well under control.

Credit risk arises from the margin financing and securities lending business and stock-pledged financing primarily due to fraudulent information from clients, failure of customers to repay debts in full in a timely manner, customers' breach of contracts with respect to the size and structure of trading positions, customers' violation of regulatory requirements in their trading actions, and the involvement of collateral in legal disputes, among others. The Credit Business Department of the Company and its Hong Kong subsidiary has dedicated employees who are responsible for the approval of limits of margin deposits, stock-pledged financing business, and the margin financing and securities lending business, which are updated based on the periodic assessment of customers' ability to repay. The Credit and Risk Management Department monitors the status of margin deposits and stock-pledged financing, and makes margin calls when necessary. In cases where customers fail to deposit more money as required, collateralized securities will be sold to control the risk. When determining the expected credit loss of the margin financing and securities lending business, securities repurchase and stock-pledged financing, the Group estimates the probability of default based on practical experience and historical data, sets loss given default based on industrial information and market data, and takes forward-looking factors into consideration.

In order to manage default risks associated with investments in credit products, for bond investments, the Group has established credit lines for counterparties and investment restrictions in accordance with their credit ratings. When determining the expected credit loss on bond investments, the Group estimates the probability of default based on the mapping relationship of rating, sets loss given default based on industrial information and market data, and takes forward-looking factors into consideration.

For trade receivables, the Group applies a simplified approach in calculating ECLs based on the historical credit loss experience, adjusted for related information specific to the debtors and the economic environment, etc.

For other financial assets where the simplified approach was not adopted, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs ("LTECL") that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Both LTECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups debt financial assets under the requirement of IFRS 9 into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When debt financial assets are first recognized, the Group recognizes an allowance based on 12-month ECLs. Stage 1 debt financial assets also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When debt financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 debt financial assets also include financial assets, where the credit risk has improved and the financial assets have been reclassified from Stage 3.
- Stage 3: Debt financial assets are considered credit-impaired. The Group records an allowance for the LTECLs.

POCI: Purchased or originated credit-impaired ("POCI") assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered to be a (partial) derecognition of the financial asset.

When estimating the ECLs, the Group considers different scenarios. Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted debt instruments are expected to be recovered, including the probability that the debt instruments will cure and the value of collateral or the amount that might be received for selling the asset.

For financial assets held under resale agreements and margin accounts receivable, the allowance for ECLs may significantly fluctuate due to the decline in fair value of collaterals caused by stock market volatility, which may not fully cover the receivables. The Group considers multiple factors to determine the allowance for ECLs, such as the credit situation, repayment ability of the debtor, the credit enhancement measures of the third party, the liquidity and disposal cycle of collaterals.

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Criteria of significant increase in credit risk

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group considers reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analyses based on historical data, internal and external credit risk ranking, and forward-looking information. 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, on either an individual basis or a collective basis for the underlying portfolio of financial instruments with similar credit risk characteristics, to determine the change in the risk of a default occurring over the expected life of the financial instrument.

- Relevant considerations in assessing whether the credit risk on the financial instrument has increased significantly include: whether the probability of default has increased significantly at the reporting date since initial recognition, whether the borrower's operating and financial condition has significant and adverse changes, whether the maintenance margin ratio has under a force liquidation level, whether the latest rating has under investment grade. Generally, the credit risk on a financial instrument is considered to have increased significantly when the contractual payment is more than or equal to 30 days past due regardless of the way in which the Group assesses significant increases in credit risk unless the Group has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly.

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Definition of credit-impaired financial asset

Credit impairment may be due to the combined effect of several events rather than a single discrete event. To determine whether a financial asset is credit-impaired, the Group considers one or more of the following both quantitative and qualitative indicators:

- The borrower is more than 90 days past due on its contractual payments;
- The collateral valuation falls short of the related loan amounts;
- The latest ratings are in default grade;
- Significant financial difficulty of the issuer or the borrower;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The Group, 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;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Other circumstances that show financial assets are credit-impaired.

For Stock-pledged financing, based on the borrowers' credit quality, contract maturity date, the related collateral securities information, which includes the sector situation, liquidity discount factor, restrictions, concentration, volatility, maintenance margin ratio, issuers' operation condition and related information, the Group sets differentiated collateral to loan ratios (generally no less than 130%) as force liquidation thresholds against different exposures related to these transactions.

- Stock-pledged financing with maintenance margin ratio above the force liquidation thresholds, past due for no more than 30 days are classified under Stage 1;
- Stock-pledged financing with maintenance margin ratio above 100% while fall below the force liquidation thresholds, past due for more than 30 days but less than 90 days are classified under Stage 2;
- Stock-pledged financing with maintenance margin ratio fall below 100%, past due for more than 90 days are classified under Stage 3

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Key parameters for expected credit losses

Depending on whether the credit risk is significantly increased or credit-impaired, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month or lifetime expected credit losses. The key parameters for measuring expected credit losses include the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Group considers the quantitative analysis of historical data (such as the credit rating of counter parties, ways of guarantee, the category of collateral, and ways of repayment, etc.) and forward-looking information, to establish a model of PD, LGD, and EAD.

Methods that is used in the calculation of expected credit losses

The Group considers PD/LGD impact on measuring expected credit losses:

- PD is an estimate of the likelihood that a borrower will be unable to meet its debt obligations over the future 12 months or the whole remaining lifetime. The Group estimates PD based on the historical default data, internal and external credit ratings and forward-looking information, etc.
- LGD is the estimated share of the exposure at default that is lost when a borrower defaults. LGD varies depending on the category of counterparties, ways and priority of recourse, and the category of collateral. LGD is the percentage of loss when default occurs;
- EAD is an estimation of the extent to which the Group may be exposed to a counterparty in the event of the counterparty's default in the future 12 months or the whole remaining lifetime;
- Forward-looking information, both the assessment of a significant increase in credit risk and calculation of expected credit losses include forward-looking information. The Group identifies the key economic factors affecting credit risk and the expected credit losses of different kinds of business based on historical data analysis. The Group forecasts economic factors periodically and applies expert judgments to determine the impact of forward-looking information on PD, etc.

For Stock-pledged financing, the Group periodically make assessments on the borrowers' credit risk based on available internal and external information, such as: historical default data, maintenance margin ratio, the liquidity, etc. Loss ratio (considers PD& LGD) applied by the Group under the 3 stages as at 31 December 2021 were as follows:

Stage 1: no less than 0.2% according to different maintenance margin ratios;

Stage 2: 0.5%-10% according to different maintenance margin ratios;

Stage 3: Evaluate and determine the allowance for ECLs after considering the recoverable amount of each contract based on multiple factors, including qualitative and quantitative indicators such as the value of collaterals, maintenance margin ratio, the credit quality and repayment ability of the borrower, other collaterals conditions, the credit enhancement measures of the third party.

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Methods that is used in the calculation of expected credit losses *(continued)*

(i) Maximum exposure to credit risk

The table below summarizes the Group's maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

	As at 31 December	
	2021	2020
Debt instruments at fair value through other comprehensive income	66,838,416	72,492,802
Financial assets held under resale agreements	59,582,753	55,861,801
Financial assets at fair value through profit or loss	115,894,368	107,972,227
Refundable deposits	40,795,692	29,415,401
Other non-current assets	55,012	228,425
Accounts receivable	9,312,022	7,230,325
Other current assets	1,750,889	1,903,392
Margin accounts receivable	109,287,307	99,429,347
Derivative financial assets	4,157,399	1,768,407
Clearing settlement funds	6,726,022	6,049,697
Cash held on behalf of brokerage customers	151,178,698	139,323,440
Bank balances	31,655,816	25,275,060
Total maximum credit risk exposure	<u>597,234,394</u>	<u>546,950,324</u>

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities for shortage of capital or fund. The Group has adopted the following measures to manage liquidity risk:

Risk monitoring system built using net capital as the core indicator

The Group establishes a risk monitoring system using net capital as the core indicator and includes other indicators such as the risk coverage ratio, capital leverage ratio, etc. according to "Administrative Measures for Risk Control Indicators of Securities Companies". Meanwhile, the Company strictly adheres to the requirements as per "Guidance for Liquidity Risk Management of Securities Companies" and sets up a framework of the liquidity risk management which features with the liquidity coverage ratio and the net stable funding ratio as the core indicators. The Company continually monitors these indicators and maintains sufficient liquidity reserves by establishing multi-hierarchies of an efficient liquid asset management system.

Strictly controlling the scale of the proprietary trading business

The Group controls the scale of the proprietary trading business strictly. The proprietary investment to net capital ratio falls within the safety zone determined by the regulators. In addition, the Group also sets limits on the percentage of investments in securities and monitors them on a timely basis.

Implementation of risk budget

With the authorization of the Board of Directors, the Group prepares a risk budget for all businesses twice a year, i.e. at the beginning and in the middle of a year. Liquidity risk management is included as part of the risk budget.

Temporary liquidity replenishment mechanism

The Group has good cooperation with various commercial banks and obtains appropriate credit facilities, so as to establish a temporary liquidity replenishment mechanism. The commercial banks agreed to provide an overdraft facility amounting to RMB13,000 million and RMB12,300 million as at 31 December 2021 and 2020, respectively, in case of any temporary position shortage.

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

Temporary liquidity replenishment mechanism (continued)

The table below lists the maturity profiles of financial liabilities of the Group based on the remaining undiscounted contractual cash flows:

31 December 2021	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities							
Loans and borrowings	32,178	2,886,519	–	1,459,674	–	–	4,378,371
Short-term debt instruments	–	7,675,388	4,515,513	34,304,864	–	–	46,495,765
Placements from other financial institutions	–	7,914,807	4,215,567	–	–	–	12,130,374
Accounts payable to brokerage customers	172,483,608	–	–	–	–	–	172,483,608
Financial assets sold under repurchase agreements	1,120,312	144,451,773	7,670,632	11,856,200	–	–	165,098,917
Financial liabilities at fair value through profit or loss	367,358	14,802,607	4,077,096	14,768,299	13,539,049	–	47,554,409
Derivative financial liabilities	32,535	401,507	2,703,861	5,442,585	827,264	345,121	9,752,873
Bonds payable	–	1,578,541	5,748,150	27,638,232	92,824,527	11,689,800	139,479,250
Lease liabilities	–	62,000	97,770	411,729	1,525,028	11,067	2,107,594
Other current liabilities	2,078,253	38,175,095	55,216	1,443,169	–	–	41,751,733
Total financial liabilities	176,114,244	217,948,237	29,083,805	97,324,752	108,715,868	12,045,988	641,232,894
31 December 2020	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities							
Loans and borrowings	–	6,094,047	711,196	3,014,638	–	–	9,819,881
Short-term debt instruments	–	8,512,795	8,943,871	31,965,958	–	–	49,422,624
Placements from other financial institutions	–	9,687,318	4,137,200	–	–	–	13,824,518
Accounts payable to brokerage customers	157,408,158	–	–	–	–	–	157,408,158
Financial assets sold under repurchase agreements	–	127,949,326	6,395,829	10,768,562	–	–	145,113,717
Financial liabilities at fair value through profit or loss	7,694,255	7,687,700	2,356,082	12,583,597	17,562,891	230,001	48,114,526
Derivative financial liabilities	5,232,843	5,812	5,849	86,657	195,311	–	5,526,472
Bonds payable	–	596,928	4,782,586	21,789,579	69,765,718	–	96,934,811
Lease liabilities	–	74,489	94,486	371,379	1,333,896	289,065	2,163,315
Other current liabilities	1,264,666	20,307,868	298,103	2,094,572	–	–	23,965,209
Other non-current liabilities	–	–	–	–	24,595	–	24,595
Total financial liabilities	171,599,922	180,916,283	27,725,202	82,674,942	88,882,411	519,066	552,317,826

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, exchange rates and securities' market prices.

The Group also engages in the stock and bond underwriting business, and may commit to purchase any remaining shares or bonds in standby underwriting agreements. Under these circumstances, the Group faces the risk that the market prices of the left-over portion may fall below the subscription price due to changes in market conditions.

The Group sets the maximum exposure for market risk. The monitoring and measurement of the exposure is determined according to the principal amount and the stop-loss limit. Market risk is controlled within the predetermined range set by management.

(i) 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's exposure to interest rate risk relates primarily to financial instruments that are interest-bearing.

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(i) Interest rate risk *(continued)*

The tables below summarize the interest rate risk of the Group. Financial assets and liabilities are presented with reference to the earlier of the contractual repricing dates or maturity dates, and are stated at their carrying amounts.

31 December 2021	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Debt instruments at fair value through other comprehensive income	332,460	1,039,974	10,312,939	45,539,957	8,629,758	983,328	66,838,416
Equity Instruments at fair value through other comprehensive income	-	-	-	-	-	2,480,358	2,480,358
Financial assets held under resale agreements	35,059,372	4,032,595	18,442,163	1,887,523	-	161,100	59,582,753
Financial assets at fair value through profit or loss	1,237,509	2,759,900	39,227,150	70,997,190	30,876,619	139,286,693	284,385,061
Refundable deposits	491,068	-	-	-	-	40,304,624	40,795,692
Other non-current assets	-	-	-	-	-	55,012	55,012
Accounts receivable	-	-	-	-	-	9,312,022	9,312,022
Other current assets	825,595	-	-	-	-	925,294	1,750,889
Margin accounts receivable	16,069,850	26,569,671	65,385,049	-	-	1,262,737	109,287,307
Derivative financial assets	282	40,252	4,479	38,074	-	4,074,312	4,157,399
Clearing settlement funds	6,714,784	-	-	-	-	11,238	6,726,022
Cash held on behalf of brokerage customers	104,791,098	10,455,600	35,932,000	-	-	-	151,178,698
Cash and bank balances	29,354,589	5,300	1,645,300	-	-	651,038	31,656,227
Total	194,876,607	44,903,292	170,949,080	118,462,744	39,506,377	199,507,756	768,205,856
Financial liabilities							
Loans and borrowings	2,885,540	-	1,453,740	-	-	1,509	4,340,789
Short-term debt instruments	7,535,474	4,468,043	33,647,030	-	-	370,755	46,021,302
Placements from other financial institutions	7,909,030	4,192,256	-	-	-	7,547	12,108,833
Accounts payable to brokerage customers	147,256,114	-	-	-	-	25,227,494	172,483,608
Financial assets sold under repurchase agreements	145,433,367	7,625,848	11,617,839	-	-	207,038	164,884,092
Financial liabilities at fair value through profit or loss	11,473,096	4,050,809	14,516,112	15,715,040	-	1,734,475	47,489,532
Derivative financial liabilities	3,233	246,048	51,606	89,454	-	9,362,532	9,752,873
Bonds payable	1,272,941	5,037,428	24,090,083	84,748,496	9,742,411	1,875,739	126,767,098
Lease liabilities	55,544	86,639	368,804	1,418,703	10,418	-	1,940,108
Other current liabilities	-	-	-	-	-	41,751,733	41,751,733
Total	323,824,339	25,707,071	85,745,214	101,971,693	9,752,829	80,538,822	627,539,968
Interest rate sensitivity exposure	(128,947,732)	19,196,221	85,203,866	16,491,051	29,753,548	118,968,934	140,665,888

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT (continued)

(4) Market risk (continued)

(i) Interest rate risk (continued)

31 December 2020	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Financial assets							
Debt instruments at fair value through other comprehensive income	339,212	1,760,908	8,443,111	48,286,451	13,663,120	—	72,492,802
Equity Instruments at fair value through other comprehensive income	—	—	—	—	—	17,637,062	17,637,062
Financial assets held under resale agreements	34,532,762	2,610,477	15,947,977	2,608,705	—	161,880	55,861,801
Financial assets at fair value through profit or loss							
Refundable deposits	16,490,906	—	—	—	—	12,924,495	29,415,401
Other non-current assets	—	—	—	—	—	228,425	228,425
Accounts receivable	—	—	—	—	—	7,230,325	7,230,325
Other current assets	1,202,186	—	—	—	—	701,207	1,903,393
Margin accounts receivable	17,455,999	20,424,692	60,258,877	—	—	1,289,779	99,429,347
Derivative financial assets	34,801	702,206	28,037	600	—	1,448,582	2,214,226
Clearing settlement funds	6,042,332	—	—	—	—	7,365	6,049,697
Cash held on behalf of brokerage customers	111,696,253	500,000	26,865,000	—	—	262,187	139,323,440
Cash and bank balances	23,475,322	702,230	1,008,170	—	—	89,736	25,275,458
Total	217,298,138	30,505,398	150,943,415	104,968,716	28,098,580	153,973,274	685,787,521
Financial liabilities							
Loans and borrowings	6,090,349	709,247	2,938,140	—	—	31,595	9,769,331
Short-term debt instruments	8,426,245	8,845,387	31,161,169	—	—	291,567	48,724,368
Placements from other financial institutions	9,667,470	4,121,371	—	—	—	21,789	13,810,630
Accounts payable to brokerage customers	128,430,543	—	—	—	—	28,977,615	157,408,158
Financial assets sold under repurchase agreements	127,516,536	6,378,508	10,617,296	—	—	208,975	144,721,315
Financial liabilities at fair value through profit or loss	4,672,373	2,341,296	14,940,355	18,062,956	3,745,304	4,332,175	48,094,459
Derivative financial liabilities	5,812	5,849	759,736	195,311	—	4,559,764	5,526,472
Bonds payable	400,000	4,300,000	19,500,000	66,045,618	—	1,446,796	91,692,414
Lease liabilities	63,995	81,617	321,085	1,211,052	275,880	—	1,953,629
Other current liabilities	—	—	—	—	—	23,965,209	23,965,209
Other non-current liabilities	—	—	—	—	—	24,595	24,595
Total	285,273,323	26,783,275	80,237,781	85,514,937	4,021,184	63,860,080	545,690,580
Interest rate sensitivity exposure	(67,975,185)	3,722,123	70,705,634	19,453,779	24,077,396	90,113,194	140,096,941

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT (continued)

(4) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

The Group uses sensitivity analysis to measure the impact on net interest income, fair value gains or losses and equity due to changes in interest rates. The sensitivity of net interest income represents the fluctuation of net interest income, as a result of certain changes in interest rates, arising from financial assets and liabilities held at the year end which will be repriced within the next year. The sensitivity of fair value gains or losses and equity are calculated as the fluctuations in fair values of fixed-rate financial assets that are classified at fair value through profit or loss and debt instruments at fair value through other comprehensive income, due to certain changes in interest rates.

The table below summarizes the results of the sensitivity analysis, and shows the impact on net profits and other comprehensive income (net of tax) resulting from a reasonably possible change in the interest rate, based on the assets and liabilities held as at 31 December 2021 and 2020, with all other variables held constant.

	As at 31 December			
	2021		2020	
	+50 BP	-50 BP	+50 BP	-50 BP
Change in				
— net profit	(1,236,614)	1,334,286	(417,817)	731,549
— other comprehensive income	(684,551)	734,346	(873,773)	654,176
Change in equity	<u>(1,921,165)</u>	<u>2,068,632</u>	<u>(1,291,590)</u>	<u>1,385,725</u>

(ii) Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from movements in foreign exchange rates. The Group's currency risk primarily relates to business activities denominated in foreign currencies different from the Group's functional currency, and its net investments in foreign subsidiaries.

Except for the subsidiaries incorporated in Hong Kong which hold assets mainly denominated in HKD, the assets and liabilities denominated in foreign currencies represent only an insignificant portion of the Group's entire assets and liabilities.

The Group's currency risk is not material because the net foreign currency exposure is relatively low.

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT (continued)

(4) Market risk (continued)

(iii) Price risk

Price risk is the risk that the fair value of equity securities declines because of unfavorable changes in the stock index level or the price of individual securities.

The Group mainly invests in listed equity securities, warrants, funds, stock futures, etc. The Group's maximum exposure to price risk is determined by the fair value of financial instruments it holds.

The above financial instruments are exposed to price risk due to fluctuations in fair values, which can be caused by factors specific to individual financial instruments or their issuers, or factors affecting all financial instruments traded in the market.

The analysis below is to show the impact on net profit and other comprehensive income (net of tax) due to changes in fair values of investments in equity securities, funds, equity derivative financial assets/liabilities, trust products, stock futures and other equity investments by 10%, based on the carrying amounts at the end of each reporting period, with all other variables held constant. As for equity instruments at fair value through other comprehensive income, the impact only takes into account changes in fair value, without considering the impact on profit or loss due to possible impairment.

Sensitivity analysis

	As at 31 December			
	2021		2020	
	+10%	-10%	+10%	-10%
Change in				
— net profit	9,858,422	(9,858,422)	7,117,670	(7,117,670)
— other comprehensive income	186,027	(186,027)	1,322,780	(1,322,780)
Change in equity	<u>10,044,449</u>	<u>(10,044,449)</u>	<u>8,440,450</u>	<u>(8,440,450)</u>

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(5) Capital management

The Group's objectives for 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 PRC and Hong Kong regulations.

The Group manages and adjusts its capital structure in accordance with changes in the economic situation and risk characteristics of relevant assets. In order to maintain or adjust its capital structure, the Company may adjust profit distribution to shareholders, return capital, issue new shares, subordinated debts and convertible bonds, etc.

The Group adopts net capital as the indicator to manage its capital. Net capital is a comprehensive risk control indicator which is calculated as net assets minus risk adjustments on certain assets, liabilities and business, determined in accordance with securities companies' business scope and liquidity of their assets and liabilities.

On 23 January 2020, the CSRC issued the Calculation Rules for Risk Control Indicators of Securities Companies, which came into effect on 1 June 2020; on 20 March 2020, the CSRC issued the Administrative Measures for Risk Control Indicators of Securities Companies (2020 amended) with amendments to the framework and criteria of risk control indicators which securities companies must be continually compliant, which came into effect on 20 March 2020. Based on the rules above and other related rules issued or revised subsequently, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) the ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- (ii) the ratio of net capital divided by net assets shall be no less than 20%;
- (iii) the ratio of net capital divided by liabilities shall be no less than 8%;
- (iv) the ratio of net assets divided by liabilities shall be no less than 10%;
- (v) the ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100%;

Section X Independent Auditor's Report and Notes to Financial Statements

64. FINANCIAL RISK MANAGEMENT *(continued)*

(5) Capital management *(continued)*

- (vi) the ratio of the value of non-equity securities and non-equity derivatives held divided by net capital shall not exceed 500%;
- (vii) the ratio of core net capital divided by total assets on and off-balance sheet shall be no less than 8%;
- (viii) the ratio of high quality liquid assets divided by net cash outflows within 30 days shall be no less than 100%;
- (ix) the ratio of stable funds available divided by stable funds required shall be no less than 100%; and
- (x) the ratio of the value of margin financing, securities lending, stock-pledged financing and securities repurchase divided by net capital shall not exceed 400%;

Certain subsidiaries of the Company are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

65. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties in an arm's length transaction. Methods and assumptions below are used to estimate the fair value.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments.

- (a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

Section X Independent Auditor's Report and Notes to Financial Statements

65. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis:

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
At fair value through profit or loss				
— Debt securities	1,649,948	112,764,618	1,479,802	115,894,368
— Funds	28,881,448	48,466,933	5,729,476	83,077,857
— Equity securities	21,641,328	11,674,952	1,783,365	35,099,645
— Asset backed securities	—	15,860,188	—	15,860,188
— Other investments	1,108,986	29,076,185	4,267,832	34,453,003
Debt instruments at fair value through other comprehensive income				
— Debt securities	1,617,647	65,220,769	—	66,838,416
Equity Instruments at fair value through other comprehensive income				
— Equity securities	2,033,181	139,456	307,721	2,480,358
Derivative financial assets	<u>739,654</u>	<u>3,417,745</u>	<u>—</u>	<u>4,157,399</u>
 Total	 <u><u>57,672,192</u></u>	 <u><u>286,620,846</u></u>	 <u><u>13,568,196</u></u>	 <u><u>357,861,234</u></u>
 Financial liabilities at fair value through profit or loss				
At fair value through profit or loss				
— Equity securities	156,886	—	—	156,886
— Debt securities	—	5,692,128	—	5,692,128
— Others	322,971	259,450	—	582,421
Designated as at fair value through profit or loss				
— Debt securities	—	34,872,666	5,190,264	40,062,930
— Others	—	367,358	627,809	995,167
Derivative financial liabilities	<u>175,062</u>	<u>9,577,811</u>	<u>—</u>	<u>9,752,873</u>
 Total	 <u><u>654,919</u></u>	 <u><u>50,769,413</u></u>	 <u><u>5,818,073</u></u>	 <u><u>57,242,405</u></u>

Section X Independent Auditor's Report and Notes to Financial Statements

65. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis: (continued)

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
At fair value through profit or loss				
— Debt securities	1,155,464	103,183,090	3,633,673	107,972,227
— Funds	26,543,124	28,380,870	4,436,617	59,360,611
— Equity securities	15,627,148	6,578,809	2,876,940	25,082,897
— Asset backed securities	69,047	9,568,087	—	9,637,134
— Other investments	5,390,675	17,323,951	3,958,649	26,673,275
Debt instruments at fair value through other comprehensive income				
— Debt securities	959,118	71,533,684	—	72,492,802
Equity Instruments at fair value through other comprehensive income				
— Equity securities	3,756,128	207,029	366,383	4,329,540
— CSFC investment	—	13,307,522	—	13,307,522
Derivative financial assets	<u>204,886</u>	<u>2,009,340</u>	<u>—</u>	<u>2,214,226</u>
Total	<u>53,705,590</u>	<u>252,092,382</u>	<u>15,272,262</u>	<u>321,070,234</u>
Financial liabilities at fair value through profit or loss				
At fair value through profit or loss				
— Equity securities	847,312	—	—	847,312
— Debt securities	45,194	4,402,641	—	4,447,835
— Others	—	265,094	—	265,094
Designated as at fair value through profit or loss				
— Debt securities	—	31,291,123	8,023,326	39,314,449
— Others	—	2,568,277	651,492	3,219,769
Derivative financial liabilities	<u>2,027,632</u>	<u>3,498,840</u>	<u>—</u>	<u>5,526,472</u>
Total	<u>2,920,138</u>	<u>42,025,975</u>	<u>8,674,818</u>	<u>53,620,931</u>

During the year mentioned above, there were no significant transfers of fair value measurements between Level 1 and Level 2.

Section X Independent Auditor's Report and Notes to Financial Statements

65. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(2) Valuation process and methods for specific investments

As at the end of the reporting period, the Group's valuation methods and assumptions are as follows:

Level 1

Fair value of financial investment is based on quoted prices (unadjusted) reflected in active markets for identical assets or liabilities.

Level 2

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

During the year, the Group held no changes on the valuation techniques for Level 2.

Level 3

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For certain unlisted equity securities and debt securities, the Group adopts the valuation techniques and quotation from counterparties' quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, price to book ratio, price to earnings ratio, liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs was not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

Section X Independent Auditor's Report and Notes to Financial Statements

65. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(3) Movements in Level 3 financial instruments measured at fair value:

	Year ended 31 December 2021				
	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Derivative assets	Financial liabilities at fair value through profit or loss	Derivative Liabilities
As at 1 January 2021	14,905,879	366,383	—	(8,674,818)	—
Gains/(losses) for the year	489,997	—	—	(500,939)	—
Changes in fair value recognized in other comprehensive income	—	(59,673)	—	—	—
Purchases	2,903,444	—	—	—	—
Issues	—	—	—	—	—
Transfers in	1,678,501	1,011	—	—	—
Transfers out	(3,286,089)	—	—	—	—
Disposal and settlements	(2,949,444)	—	—	3,357,684	—
Lost control of a subsidiary	(481,813)	—	—	—	—
As at 31 December 2021	<u>13,260,475</u>	<u>307,721</u>	<u>—</u>	<u>(5,818,073)</u>	<u>—</u>
	Year ended 31 December 2020				
	Financial assets at fair value through profit or loss	Equity instruments at fair value through other comprehensive income	Derivative assets	Financial liabilities at fair value through profit or loss	Derivative liabilities
As at 1 January 2020	10,471,542	754,301	94,919	(7,271,644)	(238,549)
Gains/(losses) for the year	29,344	—	—	(390,315)	—
Changes in fair value recognized in other comprehensive income	—	(380,987)	—	—	—
Purchases	3,440,275	2	—	—	—
Issues	—	—	—	(1,880,305)	—
Transfers in	1,054,467	—	—	—	—
Transfers out	(98,991)	(1,490)	(21,493)	—	5,244
Disposal and settlements	9,242	(5,443)	(73,426)	867,446	233,305
As at 31 December 2020	<u>14,905,879</u>	<u>366,383</u>	<u>—</u>	<u>(8,674,818)</u>	<u>—</u>

Section X Independent Auditor's Report and Notes to Financial Statements

65. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(4) Important unobservable input value in fair value measurement of Level 3

For financial instruments in Level 3, prices are determined using valuation techniques such as discounted cash flow models and other similar techniques. Categorization of fair value measured within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs of major financial instruments in Level 3.

As at 31 December 2021:

Financial assets/liabilities	Fair value	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Stocks/unlisted equity investments	855,846	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Stocks/unlisted equity investments	1,182,079	Recent transaction price	N/A	N/A
Stocks/unlisted equity investments	53,161	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Debt investments	1,479,802	Recent transaction price	N/A	N/A
Unlisted funds	716,483	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Unlisted funds	5,012,993	Recent transaction price	N/A	N/A
Other investments	3,448,478	Recent transaction price	N/A	N/A
Other investments	819,354	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Financial liabilities	(627,809)	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities	(5,190,264)	Recent transaction price	N/A	N/A

Section X Independent Auditor's Report and Notes to Financial Statements

65. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(4) Important unobservable input value in fair value measurement of Level 3 (continued)

As at 31 December 2020:

Financial assets/liabilities	Fair value	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Stocks/unlisted equity investments	1,154,053	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Stocks/unlisted equity investments	1,780,895	Recent transaction price	N/A	N/A
Stocks/unlisted equity investments	308,375	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Debt investments	3,633,673	Recent transaction price	N/A	N/A
Unlisted funds	913,430	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Unlisted funds	3,523,187	Recent transaction price	N/A	N/A
Other investments	3,958,649	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discounted rate, the lower the fair value
Financial liabilities	(629,040)	Market comparable model	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities	(8,045,778)	Recent transaction price	N/A	N/A

The fair value of the financial instruments in Level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

Section X Independent Auditor's Report and Notes to Financial Statements

65. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(5) Financial assets and liabilities not measured at fair value

As at 31 December 2021 and 31 December 2020, the carrying amounts of the Group's financial instruments carried at cost or amortized cost approximated their fair values, except for bonds payable, whose carrying amounts and fair values are summarized below:

	As at 31 December	
	2021	2020
Bonds payable		
Carrying amounts	<u>126,767,098</u>	<u>91,692,414</u>
Fair values		
—Level 1	14,978,140	8,404,900
—Level 2	111,411,490	83,960,772
—Level 3	<u>3,337,489</u>	<u>1,304,174</u>
Total	<u>129,727,119</u>	<u>93,669,846</u>

66. EVENTS AFTER THE REPORTING PERIOD

1. Issuance of corporate bonds and subordinate bond

On 10 January 2022, the Company has publicly issued 1st batch of subordinate bonds to qualified investors, with Category I of 730 days with a nominal amount of RMB2.5 billion, bearing interest at 3.00% per annum and Category II of 1,096 days with a nominal amount of RMB3.5 billion, bearing interest at 3.17% per annum.

On 19 January 2022, the Company has publicly issued 1st batch of short-term corporate bonds to qualified investors, the bonds are of 323 days with a nominal amount of RMB3 billion, bearing interest at 2.58% per annum.

On 14 March 2022, the Company has publicly issued 1st batch of corporate bonds to qualified investors, with Category I of 1,096 days with a nominal amount of RMB2 billion, bearing interest at 3.04% per annum and Category II of 3,653 days with a nominal amount of RMB1.4 billion, bearing interest at 3.74% per annum.

2. Regarding the repurchase and cancellation of some restricted A shares

On 27 January 2022, a total of 1,778,000 restricted A shares the Company granted to restricted share incentive scheme grantees who are no longer eligible due to the termination or the expiration of the labor contract are provided for cancellation in accordance with the "Company Law".

Section X Independent Auditor's Report and Notes to Financial Statements

66. EVENTS AFTER THE REPORTING PERIOD *(continued)*

3. Acquisition of part of shares of HuaAn Funds

On 7 March 2022, HuaAn Funds obtained the Reply of Approval on the Change of Equity Interest in HuaAn Funds Management Co., Ltd. (Zheng Jian Xu Ke [2022] No. 469) from the CSRC, which approved SITICO AM to transfer the 15% equity interest in HuaAn Funds it held to the Company. Upon the completion of this transfer of equity interest, the shareholding in HuaAn Funds of the Company will change from 28% to 43%.

67. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIODS ENDED 31 DECEMBER 2021

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

	Effective for accounting periods beginning on or after
<i>Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)</i>	1 January 2022
<i>Annual Improvements to IFRS Standards 2018-2020</i>	1 January 2022
<i>Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)</i>	1 January 2022
<i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i>	1 January 2022
<i>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i>	1 January 2023
<i>IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)</i>	1 January 2023
<i>Definition of Accounting Estimates (Amendments to IAS 8)</i>	1 January 2023
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i>	1 January 2023
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i>	Available for optional adoption/effective date deferred indefinitely

The application of the new and revised IFRS will have no material impact on the Group's financial statements.

Section X Independent Auditor's Report and Notes to Financial Statements

68. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2021	2020
Non-current assets		
Property and equipment	1,620,978	1,728,289
Right-of-use assets	1,369,867	1,390,824
Other intangible assets	603,487	533,964
Investments in subsidiaries	19,899,368	21,433,557
Investments in associates	6,721,564	1,023,753
Debt instruments at fair value through other comprehensive income	54,045,842	54,817,294
Equity instruments at fair value through other comprehensive income	2,034,488	16,538,493
Financial assets held under resale agreements	1,893,344	2,616,287
Financial assets at fair value through profit or loss	6,468,160	12,794,246
Refundable deposits	10,797,558	8,096,160
Deferred tax assets	1,030,133	1,224,130
Other non-current assets	1,824,461	2,043,440
	<u>108,309,250</u>	<u>124,240,437</u>
Total non-current assets		
Current assets		
Accounts receivable	1,881,718	3,026,174
Other current assets	3,609,743	399,006
Margin accounts receivable	97,149,697	80,121,481
Debt instruments at fair value through other comprehensive income	11,794,214	6,049,255
Financial assets held under resale agreements	50,846,823	47,552,541
Financial assets at fair value through profit or loss	208,703,145	128,601,545
Derivative financial assets	3,722,087	1,363,978
Clearing settlement funds	7,305,231	6,053,755
Cash held on behalf of brokerage customers	88,726,761	79,642,328
Cash and bank balances	22,853,734	17,800,181
	<u>496,593,153</u>	<u>370,610,244</u>
Total current assets		
	<u>604,902,403</u>	<u>494,850,681</u>
Total assets		

Section X Independent Auditor's Report and Notes to Financial Statements

68. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	As at 31 December	
	2021	2020
Current liabilities		
Short-term debt instruments	32,360,695	33,844,006
Placements from other financial institutions	12,108,833	13,720,919
Accounts payable to brokerage customers	87,610,710	78,436,311
Employee benefits payable	6,669,415	5,737,113
Income tax payable	1,433,151	1,007,443
Financial assets sold under repurchase agreements	152,586,993	117,637,331
Financial liabilities at fair value through profit or loss	13,694,835	10,670,440
Derivative financial liabilities	8,812,780	4,705,609
Bonds payable	27,706,455	24,744,699
Lease liabilities	420,489	351,576
Other current liabilities	35,291,651	17,275,176
Total current liabilities	378,696,007	308,130,623
Net current assets	117,897,146	62,479,621
Total assets less current liabilities	226,206,396	186,720,058
Non-current liabilities		
Bonds payable	87,163,730	59,751,432
Lease liabilities	1,087,287	1,181,520
Financial liabilities at fair value through profit or loss	6,443,516	1,385,228
Other non-current liabilities	193,676	82,114
Total non-current liabilities	94,888,209	62,400,294
Net assets	131,318,187	124,319,764
Equity		
Share capital	8,908,450	8,908,448
Other equity instruments	11,071,656	11,071,661
Treasury shares	(638,820)	(776,909)
Reserves	72,046,822	69,708,209
Retained profits	39,930,079	35,408,355
Total equity	131,318,187	124,319,764

Section X Independent Auditor's Report and Notes to Financial Statements

68. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

	Reserve								Total
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Treasury Shares	Retained profits	
At 31 December 2020	8,908,448	11,071,661	44,143,827	926,827	7,172,529	17,465,026	(776,909)	35,408,355	124,319,764
Profit for the year	-	-	-	-	-	-	-	11,919,066	11,919,066
Other comprehensive income for the year	-	-	-	(90,135)	-	-	-	-	(90,135)
Total comprehensive income for the year	-	-	-	(90,135)	-	-	-	11,919,066	11,828,931
Issue of perpetual bonds	-	-	-	-	-	-	-	-	-
Redemption of perpetual bonds	-	-	-	-	-	-	-	-	-
Appropriation to general reserve	-	-	-	-	-	2,383,813	-	(2,383,813)	-
Dividends	-	-	-	-	-	-	-	(4,983,132)	(4,983,132)
Distribution to other equity instrument holders	-	-	-	-	-	-	-	(402,500)	(402,500)
Other comprehensive income that has been reclassified to retained profits	-	-	-	(175,919)	-	-	-	175,919	-
Conversion of convertible bonds	2	(5)	27	-	-	-	-	-	24
Acquisition of treasury shares	-	-	-	-	-	-	(12,588)	-	(12,588)
Equity Settled share-based transactions	-	-	207,170	-	-	-	150,677	-	357,847
Lost control of a subsidiary	-	-	3,178	(38,566)	-	49,045	-	196,184	209,841
At 31 December 2021	<u>8,908,450</u>	<u>11,071,656</u>	<u>44,354,202</u>	<u>622,207</u>	<u>7,172,529</u>	<u>19,897,884</u>	<u>(638,820)</u>	<u>39,930,079</u>	<u>131,318,187</u>

Section X Independent Auditor's Report and Notes to Financial Statements

68. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	Reserve								Total
	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Treasury Shares	Retained profits	
At 31 December 2019	8,907,948	16,129,799	44,813,293	792,701	7,172,529	15,794,958	—	32,733,088	126,344,316
Profit for the year	—	—	—	—	—	—	—	8,350,340	8,350,340
Other comprehensive income for the year	—	—	—	(28,988)	—	—	—	—	(28,988)
Total comprehensive income for the year	—	—	—	(28,988)	—	—	—	8,350,340	8,321,352
Issue of perpetual bonds	—	4,943,396	—	—	—	—	—	—	4,943,396
Redemption of perpetual bonds	—	(10,000,000)	—	—	—	—	—	—	(10,000,000)
Appropriation to general reserve	—	—	—	—	—	1,670,068	—	(1,670,068)	—
Dividends	—	—	—	—	—	—	—	(3,439,391)	(3,439,391)
Distribution to other equity instrument holders	—	—	—	—	—	—	—	(402,500)	(402,500)
Other comprehensive income that has been reclassified to retained profits	—	—	—	163,114	—	—	—	(163,114)	—
Conversion of convertible bonds	500	(1,534)	10,068	—	—	—	—	—	9,034
Acquisition of treasury shares	—	—	—	—	—	—	(1,543,209)	—	(1,543,209)
Equity Settled share-based transactions	—	—	(679,534)	—	—	—	766,300	—	86,766
At 31 December 2020	8,908,448	11,071,661	44,143,827	926,827	7,172,529	17,465,026	(776,909)	35,408,355	124,319,764

69. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on 30 March 2022.

Section XI Information Disclosure of Securities Company

I. RELEVANT INFORMATION ABOUT SIGNIFICANT ADMINISTRATIVE PERMISSIONS FOR THE COMPANY

Applicable Not applicable

(I) Administrative Permissions of the Company

No.	Date of approval	Headings of approval	No. of approval
1	30 November 2021	China Securities Regulatory Commission's Regulatory Opinions on Application to Carrying out Account Management Function Optimization Pilot Business by Guotai Junan Securities Co., Ltd.	Ji Gou Bu Han [2021] No. 3750
2	16 December 2021	China Securities Regulatory Commission's Regulatory Opinions on Carrying out Treasury Futures Market Making Business by Guotai Junan Securities Co., Ltd.	Ji Gou Bu Han [2021] No. 4029

(II) Administrative Permissions of the Subsidiary of Guotai Junan Futures

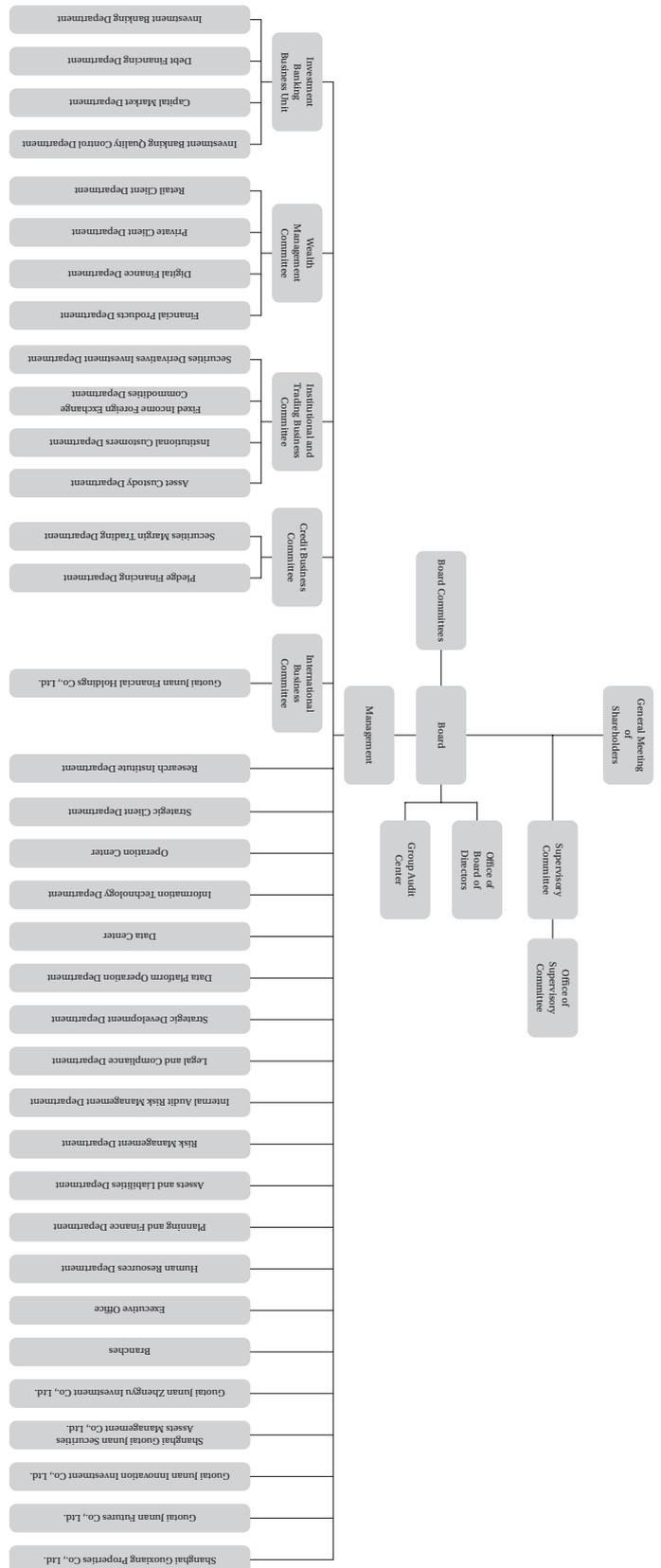
Name of subsidiary	Date of approval	Headings of approval	No. of approval
Guotai Junan Risk Management Co., Ltd.	28 June 2021	Business Permit for the Operation of Hazardous Chemicals (《危險化學品經營許可證》)	Hu (Xu) Ying Ji Guan Wei Jing Xu [2021] 202593

II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

Applicable Not applicable

The Company's classified evaluation result in 2021: Class A Grade AA.

Appendix I Organization Chart of the Company



Appendix II Basic Information of Branch Office

1. BRANCH OFFICE OF THE COMPANY

Branch office	Address	Date of establishment	Registered Capital (or working capital)	Person-in charge	Contact number
Anhui Branch Office	Rooms 2501,2510,2511 and 2512, AHCOF International Trade Center, Intersection of South Second Ring Road and Jinzhai Road, Shushan District, Hefei City	21 February 2013	RMB5 million	Zeng Fengsan (曾逢三)	0551-62816558
Guangxi Branch Office	Rooms 2201 & 2205, 22/F, Tower A, Nanhu Mingdu Plaza, 30 Shuangyong Road, Qingxiu District, Nanning City	20 February 2013	RMB5 million	Lin Guokui (林國奎)	0771-5651977
Xinjiang Branch Office	6F, Tower A, Gongxiao Building, 314 Yangtze River Road, Shayibake District, Urumqi	4 March 2013	RMB5 million	An Ding (安定)	0991-2835838
Beijing Branch Office	Room 202, Zhizhen Building, 7 Zhichun Road, Haidian District, Beijing City	6 September 2000	RMB10 million	Geng Xuling (耿旭令)	010-82263606
Shanghai Branch Office	3A,12A,12C-I,13A-I, 369 Jiangsu Road, Shanghai City	15 August 2000	RMB10 million	Zhao Hong (趙宏)	021-52400388
Shanghai FTZ Branch Office	1503-A, B, C, D, E, F, G, H, 2 Maji Road, China (Shanghai) Pilot Free Trade Zone	13 December 2013	RMB5 million	Zhang Neng (張能)	021-52400647
Shenzhen Branch Office	3401-3411, 3509, New World Business Center, Yitian Road West and Fuzhong Road North, Futian District, Shenzhen City	21 July 2000	RMB10 million	Wang Li (王黎)	0755-23976765
Sichuan Branch Office	China Resources Building, 10 Shuangqing Road, Chenghua District, Chengdu City	31 July 2000	RMB10 million	Guo Liping (郭麗萍)	028-65775298
Hubei Branch Office	7/F, 73 Xudong Street, Hongshan District, Wuhan City	11 August 2000	RMB10 million	Hou Xiaopeng (侯霄鵬)	027-87267558
Tianjin Branch Office	Units 07-09, 42F, Surveying and Mapping Level, Jinta Office Building, Tianjin Worldwide Finance Center, No. 2 Dagu North Road, Xiaobailou, Heping District, Tianjin City	30 June 2009	RMB5 million	Gu Xin (顧鑫)	022-58308306
Hebei Branch Office	9/F, Tower A, Fangbei Building, No. 133, Yuhua East Road, Shijiazhuang City, Hebei Province	2 July 2009	RMB5 million	Li Jian (李建)	0311-85668338

Appendix II Basic Information of Branch Office

Branch office	Address	Date of establishment	Registered Capital (or working capital)	Person-in charge	Contact number
Shanxi Branch Office	12/F, Maisi Building, 8 Dongrong Street, Xuefu Industrial Park, Transformation Comprehensive Reform Demonstration Zone, Shanxi	3 July 2009	RMB5 million	Zhang Qingsong (張青松)	0351-7023028
Inner Mongolia Branch Office	Room 1701-1702, International Finance Building, 18 Xinhua East Street, Ruyi Industrial Park, Hohhot City, Inner Mongolia Autonomous Region	30 June 2009	RMB5 million	Xu Xihai (徐錫海)	0431-5212939
Liaoning Branch Office	68 Shiyiwei Road, Heping District, Shenyang City	1 July 2009	RMB5 million	Wang Chunming (王春明)	024-22821663
Jilin Branch Office	Rooms 2506-2509, Huamao International Building, 4848 Renmin Street, Nanguan District, Changchun City	30 June 2009	RMB5 million	Fei Weifu (費維富)	0431-84505678
Heilongjiang Branch Office	3/F Keji Building, 90 Xidazhi Street, Nangang District, Harbin City, Heilongjiang Province	30 June 2009	RMB5 million	Chi Jun (池浚)	0451-86201260
Jiangsu Branch Office	Room 401 & 502, 389 Taiping South Road, Qinhuai District, Nanjing City	9 July 2009	RMB5 million	Yao Guohai (姚國海)	025-84575188
Suzhou Branch Office	Room C-2, 40/F, Modern Media Plaza, No. 265 East Suzhou Avenue, Suzhou Industrial Park, Suzhou Area of China (Jiangsu) Pilot Free Trade Zone	30 December 2020	RMB5 million	Liu Jiming (劉繼明)	0512-67625257
Zhejiang Branch Office	Room 1401, Unit 1 & 2, Building 6, Fanhai International Center, 185 Wuxing Road, Sijiqing Sub-district, Jianggan District, Hangzhou City	30 June 2009	RMB5 million	Lin Jian (林堅)	0571-87227580
Fujian Branch Office	11/F, Export-Import Bank of China Building, 350 Jiangbin Central Boulevard, Taijiang District, Fuzhou City	2 July 2009	RMB5 million	Chen Meixin (陳美心)	0591-83666109
Jiangxi Branch Office	Rooms 3101-3106 & 3110-3113, 31/F, Cuilin Building, 1266 Fenghe Middle Avenue, Honggutan New District, Nanchang City, Jiangxi Province	3 July 2009	RMB5 million	Huang Quan (黃全)	0791-86113053

Appendix II Basic Information of Branch Office

Branch office	Address	Date of establishment	Registered Capital (or working capital)	Person-in charge	Contact number
Shandong Branch Office	5/F, Building 1, Long Ao Jin Zuo Office Building, No. 8000 Jingshi Road, Lixia District, Ji'nan City	29 June 2009	RMB5 million	Zhang Congxuan (張從宣)	0531-68817977
Henan Branch Office	39 Jinshui East Road, Zhengdong New District, Zhengzhou City	29 June 2009	RMB5 million	Yu Ping (于萍)	0371-65752727
Hunan Branch Office	4/F, 89 Wuyi Boulevard, Changsha City	1 July 2009	RMB5 million	Hu Lan (胡蘭)	0731-85525225
Hainan Branch Office	No. B2002, B2003, B2004, 20F, West Block of office building, Tower B, Lot S5, Haikuotiankong•Guorui Town, 11 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	30 June 2009	RMB5 million	Fan Xiaojun (范曉軍)	0898-68551022
Guizhou Branch Office	22/F, Tower 1-6, East Zone, Financial Business District, Area B, Zhongtian Exhibition, Changling North Road, Guanshanhu District, Guiyang City, Guizhou Province	1 July 2009	RMB5 million	Ma Hong (馬鴻)	0851-85818223
Yunnan Branch Office	Rooms 1706, 1707, 1708, 1709 and 1710, 17/F, Building 4, Qicaijunyuan, Baita Road, Panlong District, Kunming City, Yunnan Province	30 June 2009	RMB5 million	Xiao Bohao (肖波浩)	0871-63105290
Shaanxi Branch Office	2/F, Finance Commerce Center, Telecom Plaza, 56 Gaoxin Road, Yanta District, Xi'an City, Shaanxi Province	2 July 2009	RMB5 million	Hua Yuwei (華宇煒)	029-88304680
Gansu Branch Office	215 Jiuquan Road, Chengguan District, Lanzhou City	30 June 2009	RMB5 million	Lan Geru (蘭革儒)	0931-8436687
Guangdong Branch Office	Units 2502A, 2502B, 2506, 2602 and 2603, R&F Center, No. 10 Huaxia Road, Zhujiang Xincheng, Tianhe District, Guangzhou City	29 June 2009	RMB5 million	Zhang Wenzhou (張文洲)	020-85655964
Chongqing Branch Office	17-1/F, 3 Finance Street, Jiangbei District, Chongqing City	30 June 2009	RMB5 million	Chen Yaohua (陳耀華)	023-63707175

Appendix II Basic Information of Branch Office

2. BRANCH OFFICE OF GUOTAI JUNAN FUTURES

Branch office	Address	Date of establishment	Registered capital (or working capital)	Person-in charge	Contact number
Beijing Branch Office (formerly Beijing Jianguomenwai Street securities branch)	Unit 07-08, 25F, West Tower, B12 Jianguomenwai Street, Chaoyang District, Beijing	24 June 2021	Nil	Wang Yigang (王毅崗)	010-58795755
Guangdong Branch Office (formerly Guangzhou securities branch)	Room 1102, No. 10 Huaxia Road, Tianhe District, Guangzhou	27 November 2020	Nil	Zhu Jianping (朱建平)	020-38628065
Xiamen Branch Office	1508-1509, Block B, China Resources Building, No. 95 Hubin East Road, Siming District, Xiamen	6 November 2019	Nil	Fu Zuoren (傅作仁)	0592-5886138
Shaanxi Branch Office (formerly Xi'an securities branch)	Room 02, 16/F (18/F by Elevator), PICC (Shaanxi) Finance Building, 12 Gaoxin 3rd Road, High Tech District, Xi'an City, Shaanxi Province	15 May 2020	Nil	Luo Mingzhe (羅明哲)	029-88220219
Hebei Branch Office (formerly Shijiazhuang securities branch)	Rooms 803 & 804, 8/F, Tower B, Fangbei Building, 133 Yuhua East Road, Yuhua District, Shijiazhuang City, Hebei Province	15 May 2020	Nil	Luo Dedong (羅德東)	0311-85360889
Hubei Branch Office (formerly Wuhan securities branch)	Office (5) at 40/F, Zheshang International Building, 718 Jianshe Avenue, Jiang'an District, Wuhan City	30 July 2021	Nil	Shao Weimin (邵崑敏)	027-82883009
Shandong Branch Office (formerly Jinan securities branch)	Rooms 1107 & 1108, 975 Caoshanling South Road, Lixia District, Ji'nan City	21 May 2020	Nil	Chen Xiaoxiao (陳曉曉)	0531-81210181
Henan Branch Office (formerly Zhengzhou securities branch)	Room 1105, Futures Building, 30 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City	21 May 2020	Nil	Zhang Wentian (張聞天)	0371-65600699

Appendix II Basic Information of Branch Office

Branch office	Address	Date of establishment	Registered capital (or working capital)	Person-in charge	Contact number
Liaoning Branch Office (formerly Dalian securities branch)	Rooms 1904&1905, Dalian Futures Building, Tower A, Dalian International Finance Center, 129 Huizhan Road, Shahekou District, Dalian City	31 December 2020	Nil	Wang Wei (王偉)	0411-84807767
Shenzhen Branch Office (formerly Shenzhen securities branch)	Rooms 1502, 1503 and 1504, New World Business Center, Yitian Road West and Fuzhong Road North, Lianhua Street, Futian District, Shenzhen City	25 November 2020	Nil	Li Hui (李暉)	0755-23982567
Qingdao Branch Office (former Qingdao Securities Branch)	Room 501, 5th Floor, Jiezheng Fortune Center, Building 11, No. 195 Xianggang East Road, Laoshan District, Qingdao City, Shandong Province	1 March 2021	Nil	Xu Yang (許陽)	0532-80993639
Hunan Branch Office (former Changsha Securities Branch)	Room 2401, Wanbohui Mingdi Phase III, No. 489 Shaoshan Middle Road, Yuhua District, Changsha City	8 March 2021	Nil	Zhu Qiyun (朱其運)	0731-82258088
Ningbo Branch Office (former Ningbo Securities Branch)	No. 4 (6-1), Lane 999, Yangfan Road, Gaoxin District, Ningbo City	11 March 2021	Nil	Fei Zhen (費振)	0574-87916515
Jilin Branch Office (former Changchun Securities Branch)	Room 2302 & 2303, Building 1, Chuanyu Hongtai International Global Trade Center Phase II, Jingyue Development Zone, Changchun City, Jilin Province	17 March 2021	Nil	Qin Zhiguo (秦志國)	0431-85918811
Zhejiang Branch Office (former Hangzhou Securities Branch)	Room 501-B, Unit 1, Building 6, Fanhai International Center, No. 185 Wuxing Road, Jianggan District, Hangzhou City, Zhejiang Province	19 March 2021	Nil	Liang Bin (梁彬)	0571-86807670
Jiangsu Branch Office (former Nanjing Securities Branch)	Room 3701 (14-16), 37th Floor, No. 347 Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province	12 July 2021	Nil	Cheng Chuanlei (程傳雷)	025-87780990

Appendix III Establishment and Disposal of Branches

1. THE COMPANY

1) Newly-established securities branches:

No.	Names of newly-established branches	Locations of newly-established branches	Permit issuing date
1	Taizhou Shifu Avenue Securities Branch	No. 658 Shifu Avenue, Jiazhi Street, Jiaojiang District, Taizhou City, Zhejiang Province (part of the buildings on the 2nd floor of Area B, Telecom Hub)	8 January 2021
2	Guangzhou Pearl River New Town Securities Branch	Room 2903, No. 10 Huaxia Road, Pearl River New Town, Tianhe District, Guangzhou	17 March 2021
3	Zhangjiagang Renmin East Road Securities Branch	Room Z202, Guotai Xintiandi Plaza, No. 19 Renmin East Road, Yangshe Town, Zhangjiagang	29 October 2021
4	Guiyang Changling South Road Securities Branch	No. 220, Changling South Road, Jinyang Science and Technology Industrial Park, National High-tech Industrial Development Zone, Guiyang City, Guizhou Province (commercial room 1-1, -1/F, main building)	3 December 2021

2) Relocated branch offices and securities branches:

No.	Names of branches Before relocation	Names of branches after relocation	Locations of branches after relocation
1	Shanxi Branch Office	Shanxi Branch Office	12/F, Maisi Building, 8 Dongrong Street, Xuefu Industrial Park, Transformation Comprehensive Reform Demonstration Zone, Shanxi
2	Chongqing Jiuchikan Securities Branch	Chongqing Jiefangbei Securities Branch	Unit 1, 2 & 4, 28th Floor, No. 188 Minzu Road, Yuzhong District, Chongqing City

Appendix III Establishment and Disposal of Branches

No.	Names of branches Before relocation	Names of branches after relocation	Locations of branches after relocation
3	Longyan Hualian Road Securities Branch	Longyan Longyan Avenue Securities Branch	Room 505, 506, 507 & 508, 5th Floor, Building H, Phase II, Longyan Financial Business Center, No. 296 Middle Longyan Avenue, Hualian Community, Xibi Subdistrict, Xinluo District, Longyan City, Fujian Province
4	Xiangyang Xiangchengxi Street Securities Branch	Xiangyang Tanxi Road Securities Branch	1st and 6th floors, Building 1, Shanshui Tanxi C Zone, Tanxi Road, Xiangcheng District, Xiangyang City
5	Jilin Songjiang Road Securities Branch	Jilin Jilin Avenue Securities Branch	Room 094, 095, 096 and 097, 14th Floor, Unit 1, Office Building No. 9, Zhonghai Ziyujiangcheng, No. 121 Jilin Avenue
6	Nan'an Chenggong Street Securities Branch	Nan'an Chenggong Street Securities Branch	Room 07, 08 & 09, Commercial 1st Floor, Building 1-2, Xinyi Fortune Center, Chenggong Street, Liucheng Subdistrict, Nan'an, Quanzhou City, Fujian Province
7	Shenzhen Qianhai Securities Branch	Shenzhen Qianhai Securities Branch	Room 1410-1409B, Office Building T5, Qianhai China Resources Financial Center, No. 5035 Menghai Avenue, Nanshan Subdistrict, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen
8	Taiyuan Bingzhou North Road Securities Branch	Taiyuan Changzhi Road Securities Branch	No. 1003, Floor 1-2, Block C, Building 1, Xinlingdi Community, No. 172 Changzhi Road, Xiaodian District, Taiyuan City
9	Pingxiang Yuejin South Road Securities Branch	Pingxiang Chuping East Road Securities Branch	32nd Floor, Runda International Business Center, No. 98 Chuping East Road, Houbu Subdistrict, Anyuan District, Pingxiang City, Jiangxi Province

Appendix III Establishment and Disposal of Branches

No.	Names of branches Before relocation	Names of branches after relocation	Locations of branches after relocation
10	Hangzhou Qingchun Road Securities Branch	Hangzhou Yan'an Road Securities Branch	Room 106, 1st Floor & 11st Floor, Building 2, No. 484 Yan'an Road, Tianshui Subdistrict, Xiacheng District, Hangzhou City, Zhejiang Province
11	Yiwu Chouzhou North Road Securities Branch	Yiwu Danxi North Road Securities Branch	Floor 1-3, No. 129, 131, 133, Danxi North Road, Yiwu City, Zhejiang Province
12	Shenzhen Huafa Road Securities Branch	Shenzhen Futian Central District Huarong Tower Securities Branch	208, 209, 210, 211, 212, 213 and part of 220B, 221B, 2nd Floor, Huarong Tower, No.178 Mintian Road, Fu'an Community, Futian Subdistrict, Futian District, Shenzhen City
13	Shanghai Weihai Road Securities Branch	Shanghai Songtao Road Securities Branch	Room 110, 1st Floor & Room 202, 203, 204, 205, 2nd Floor, Building 3, No. 696 Songtao Road, China (Shanghai) Pilot Free-Trade Zone
14	Urumqi Hebei East Road Securities Branch	Urumqi Beijing Road Securities Branch	No. 2, West Side, Lobby, 1st Floor, Cyberport Building, No. 258 Gaoxin Street, High-tech Zone (New Urban Area), Urumqi, Xinjiang
15	Yulin Square East Road Securities Branch	Yulin Jinyu Road Securities Branch	Shop 09, Building 18 & 19, Wanchang Oriental Paris Commercial and Residential Community, No. 377 Jinyu Road, Yulin City
16	Lanzhou Fuli West Road Securities Branch	Lanzhou Fuli West Road Securities Branch	1st Floor & Room 1-14, 2nd Floor, Building 3, Silk Road E-commerce Industrial Park Zone B, No. 1 Fuli West Road, Xigu District, Lanzhou City, Gansu Province
17	Chengdu Jianshe Road Second Securities Branch	Chengdu Longteng East Road Securities Branch	No. 10 and 11, Floor 03, Building 1, No. 36 Longteng East Road, Wuhou District, Chengdu City, Sichuan Province

Appendix III Establishment and Disposal of Branches

No.	Names of branches Before relocation	Names of branches after relocation	Locations of branches after relocation
18	Changji Wuyi West Road Securities Branch	Changji Beijing Road Securities Branch	Building on the North side, 1st Floor, main building, Huayang Industrial Group Comprehensive Office Building, No. 35 Beijing South Road, Changji City, Changji Hui Autonomous Prefecture, Xinjiang
19	Shenzhen Dengliang Road Securities Branch	Shenzhen Dengliang Road Securities Branch	Unit 803, 8/F, Block N2, Alibaba Building, No. 3331 Keyuan Road, Azure Coast Community, Yuehai Street, Nanshan District, Shenzhen

3) Deregistered securities branches:

No.	Names of securities branches
1	Huaihua Yingfeng Road Securities Branch
2	Maoming Youchengba Road Securities Branch
3	Huzhou Binhe Road Securities Branch
4	Loudi Dixing Road Securities Branch
5	Jiaozuo Ta'nán Road Securities Branch
6	Minqing Tianxing Avenue Securities Branch
7	Luzhou Free Trade Zone Yuntai Road Securities Branch

2. GUOTAI JUNAN FUTURES

1) Newly-established branch offices and securities branches:

No.	Names of newly-established branches	Locations of newly-established branches	Permit issuing date
1	Qingdao Branch Office (former Qingdao Securities Branch)	Room 501, 5th Floor, Jiezheng Fortune Center, Building 11, No. 195 Xianggang East Road, Laoshan District, Qingdao City, Shandong Province	1 March 2021
2	Hunan Branch Office (former Changsha Securities Branch)	Room 2401, Wanbohui Mingdi Phase III, No.489 Shaoshan Middle Road, Yuhua District, Changsha City	8 March 2021

Appendix III Establishment and Disposal of Branches

No.	Names of newly-established branches	Locations of newly-established branches	Permit issuing date
3	Ningbo Branch Office (former Ningbo Securities Branch)	No. 4 (6-1), Lane 999, Yangfan Road, Gaoxin District, Ningbo City	11 March 2021
4	Jilin Branch Office (former Changchun Securities Branch)	Room 2302 & 2303, Building 1, Chuanyu Hongtai International Global Trade Center Phase II, Jingyue Development Zone, Changchun City, Jilin Province	17 March 2021
5	Zhejiang Branch Office (former Hangzhou Securities Branch)	Room 501-B, Unit 1, Building 6, Fanhai International Center, No. 185 Wuxing Road, Jianggan District, Hangzhou City, Zhejiang Province	19 March 2021
6	Jiangsu Branch Office (former Nanjing Securities Branch)	Room 3701 (14-16), 37th Floor, No. 347 Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province	12 July 2021

2) Relocated branch offices and securities branches:

No.	Names of branches before relocation	Names of branches after relocation	Locations of branches after relocation
1	Beijing Branch Office	Beijing Branch Office	Unit 07-08, 25th Floor, West Tower, No. B-12 Jianguomenwai Street, Chaoyang District, Beijing
2	Nanjing Securities Branch ^{Note}	Jiangsu Branch Office	Room 3701 (14-16), 37th Floor, No. 347 Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province
3	Shanghai Futures Tower Securities Branch	Shanghai Century Avenue Securities Branch	Room 1002B and 1003, No. 1501 Century Avenue, China (Shanghai) Pilot Free-Trade Zone
4	Shanghai Guobin Road Securities Branch	Shanghai Dalian Road Securities Branch	Unit 2606 and 2607, Tower T2, No. 398 Huoshan Road, Yangpu District, Shanghai

Note: Nanjing Securities Branch relocated and upgraded to Jiangsu Branch Office

Stock Code: 02611 Stock Name: GTJA

