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

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

**(Stock Code: 01456)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “**Board**”) of Guolian Securities Co., Ltd. (the “**Company**”) hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2023. This announcement, containing the full text of the 2023 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The 2023 annual report of the Company will be published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.glsc.com.cn](http://www.glsc.com.cn) in due course and will be dispatched to the H shareholders of the Company in the manner in which the H shareholders of the Company have elected to receive corporate communications.

By order of the Board  
**Guolian Securities Co., Ltd.**  
**Ge Xiaobo**  
*Chairman*

Wuxi, Jiangsu Province, the PRC  
26 March 2024

*As of the date of this announcement, the executive director of the Company is Mr. Ge Xiaobo; the non-executive directors of the Company are Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Wu Weihua, Ms. Li Suo and Mr. Liu Hailin; and the independent non-executive directors of the Company are Mr. Wu Xingyu, Mr. Chu, Howard Ho Hwa and Mr. Gao Wei.*

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# Section 1 Definitions

## General Terms

A Share(s)	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed and traded on the Shanghai Stock Exchange
Articles of Association	the articles of association of the Company
Associates	has the meaning ascribed to it under the Listing Rules
Beijing Stock Exchange	the Beijing Stock Exchange
CG Code	the Corporate Governance Code in Appendix C1 (previous Appendix 14) of the Listing Rules
Company Law	the Company Law of the PRC
Company, the Company or Guolian Securities	Guolian Securities Co., Ltd.
Connected Persons	has the meaning ascribed to it under the Listing Rules
Connected Transactions	has the meaning ascribed to it under the Listing Rules
Continuing Connected Transaction(s)	has the meaning ascribed to it under the Listing Rules
Controlling Shareholder(s)	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely, Guolian Group, Guolian Trust, Wuxi Electric, Minsheng Investment, Cotton Textile, Huaguang Environmental, Guolian Industrial and Guolian Financial Investment
Cotton Textile	Wuxi Cotton Textile Group Co., Ltd.* (無錫一棉紡織集團有限公司), a wholly-owned subsidiary of Guolian Group, which holds 2.57% of the shares of the Company and was renamed from Wuxi Guolian Textile Group Co., Ltd. (無錫國聯紡織集團有限公司)
CSRC	The China Securities Regulatory Commission

## Section 1 Definitions

Director(s) and Board or Board of Directors	The Director(s) and the board of Directors of the Company
GDP	gross domestic products
General Meeting(s)	the general meetings of the Company
Guolian Capital	Guolian Capital Co., Ltd.* (國聯通實資本投資有限責任公司), a wholly-owned subsidiary of the Company
Guolian Chuangxin	Wuxi Guolian Chuangxin Capital Company Limited* (無錫國聯創新投資有限公司), a wholly-owned subsidiary of the Company
Guolian Financial Investment	Wuxi Guolian Financial Investment Group Co., Ltd.* (無錫國聯金融投資集團有限公司), a wholly-owned subsidiary of Guolian Group
Guolian Fund	Guolian Fund Management Company Limited* (國聯基金管理有限公司), 75.5% of the equity interest of which is held by the Company
Guolian Futures	Guolian Futures Co., Ltd.* (國聯期貨股份有限公司), 54.72% of the shares of which is held by Guolian Group
Guolian Group	Wuxi Guolian Development (Group) Co., Ltd.* (無錫市國聯發展(集團)有限公司), which directly and indirectly holds 48.60% of the shares of the Company, the Controlling Shareholder of the Company
Guolian HK	Guolian Securities (Hong Kong) Limited, a wholly-owned subsidiary of the Company
Guolian Industrial	Wuxi Guolian Industrial Investment Group Co., Ltd.* (無錫國聯實業投資集團有限公司), a wholly-owned subsidiary of Guolian Group
Guolian Industrial Investment	Wuxi Guolian Industrial Investment Private Equity Fund Management Co., Ltd.* (無錫國聯產業投資私募基金管理有限公司), 45% of the equity interest of which is held by Guolian Group indirectly
Guolian Trust	Guolian Trust Co., Ltd.* (國聯信託股份有限公司), 91.87% of the shares of which is held by Guolian Group directly and indirectly, which holds 13.78% of the shares of the Company

## Section 1 Definitions

H Share(s)	overseas listed foreign share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the HK Stock Exchange and traded in HKD
HK Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hua Ying Securities	Hua Ying Securities Co., Ltd.* (華英證券有限責任公司), a wholly-owned subsidiary of the Company
Huaguang Environmental	Wuxi Huaguang Environmental & Energy Group Co., Ltd.* (無錫華光環保能源集團股份有限公司), a subsidiary of Guolian Group, listed on the Shanghai Stock Exchange (Stock Code: 600475), which holds 1.03% of the shares of the Company and was renamed from Wuxi Huaguang Boiler Co., Ltd.* (無錫華光鍋爐股份有限公司)
IFRS	include the standards, amendments and interpretations promulgated by International Accounting Standards Board and the International Accounting Standards and Interpretations issued by International Accounting Standards Committee
Jiangsu Xinfang	Jiangsu Xinfang Industrial Co., Ltd.* (江蘇新紡實業股份有限公司)
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Minsheng Investment	Wuxi Minsheng Investment Co., Ltd.* (無錫民生投資有限公司), a wholly-owned subsidiary of Guolian Financial Investment, which holds 2.60% of the shares of the Company
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuer in Appendix C3 (previous Appendix 10) of the Listing Rules
Reporting Period	the period from 1 January 2023 to 31 December 2023
PRC or China	the People's Republic of China
SAC	the Securities Association of China

## Section 1 Definitions

Shanghai Stock Exchange	the Shanghai Stock Exchange
Substantial Shareholder(s)	has the meaning ascribed to it under the Listing Rules
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Securities Law	the Securities Law of the PRC
STA	State Taxation Administration of the PRC
Supervisor(s) and Supervisory Committee	the Supervisor(s) and Supervisory Committee of the Company
Group	the Company and its subsidiaries
Wind	Wind, an internet big data financial terminal which is intended for use by various institutional users including all kinds of financial investment institutions, research institutions and academic institutions
Wuxi Electric	Wuxi Guolian Municipal Electric Power Co., Ltd.* (無錫市國聯地方電力有限公司), a wholly-owned subsidiary of Guolian Industrial, which holds 9.43% of the shares of the Company and was renamed from Wuxi Municipal Electric Power Company* (無錫市地方電力公司)
Zhonghai Fund	Zhonghai Fund Management Co., Ltd.* (中海基金管理有限公司), 33.409% of the equity interest of which is held by the Company

## Section 1 Definitions

### Technical Terms

Collective Asset Management Scheme	an asset management contract entered into with multiple clients by a securities firm, pursuant to which the clients' assets are placed in the custody of commercial banks or in other institutions approved by CSRC which are qualified to hold client transaction settlement funds for entrustment, and the securities firm provides asset management services to the clients through designated accounts
FOF	fund of funds
Fund Investment Advisory	fund investment advisory business
Futures IB	the business activities in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions for the futures companies and provide other related services
Good Doctor of the Way to Wealth (大方向好醫生)	a set of investment advisory service system based on the client's perspective launched by the Company
IPO	the abbreviation for "Initial Public Offering" that is, the initial public offering of shares

## Section 1 Definitions

margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
NEEQ	National Equities Exchange and Quotations
Shanghai-Hong Kong Stock Connect	a mechanism of inter-connection and inter-working between transactions of Shanghai and Hong Kong stock markets under which the Shanghai Stock Exchange and HK Stock Exchange allow investors of the two sides to buy or sell the shares (within a specified limit) listed on the stock exchange of the other side via local securities companies (or brokers)
Single Asset Management Scheme	an asset management contract entered into by a securities firm with a single client, pursuant to which the securities firm provides asset management services to the client through the accounts under the client's name
Specialized Asset Management Scheme	an asset management contract entered into by a securities firm with client to specify the investment objectives that specifically cater for the special requirements and asset structure of each individual client and provides asset management service to client through a designated account
Stock Pledged Repurchase Transaction	a transaction in which eligible funds receivers obtain financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and discharge the pledge some day in the future

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

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



## Section 2 Company Profile

### 1. Company Name

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

### 2. Stock Code

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

### 3. Legal Representative

Mr. Ge Xiaobo (葛小波)

### 4. Registered Capital and Net Capital

Registered Capital: RMB2,831,773,168  
Net Capital: RMB14.902 billion

### 5. Headquarters in China

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

### 6. Principal Place of Business in Hong Kong

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

### 7. General Manager (the President)

Mr. Ge Xiaobo (葛小波)

### 8. Secretary of the Board

Mr. Wang Jie (王捷)

### 9. Joint Company Secretaries

Ms. Hui Yu (惠宇), Ms. Zhang Xiao (張瀟)

### 10. Authorized Representatives

Mr. Ge Xiaobo (葛小波), Ms. Zhang Xiao (張瀟)

### 11. Auditors

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

### 12. Legal Advisor (as to Hong Kong Laws)

Clifford Chance

### 13. Share Registrars

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

## Section 3 Summary of Accounting and Business Data

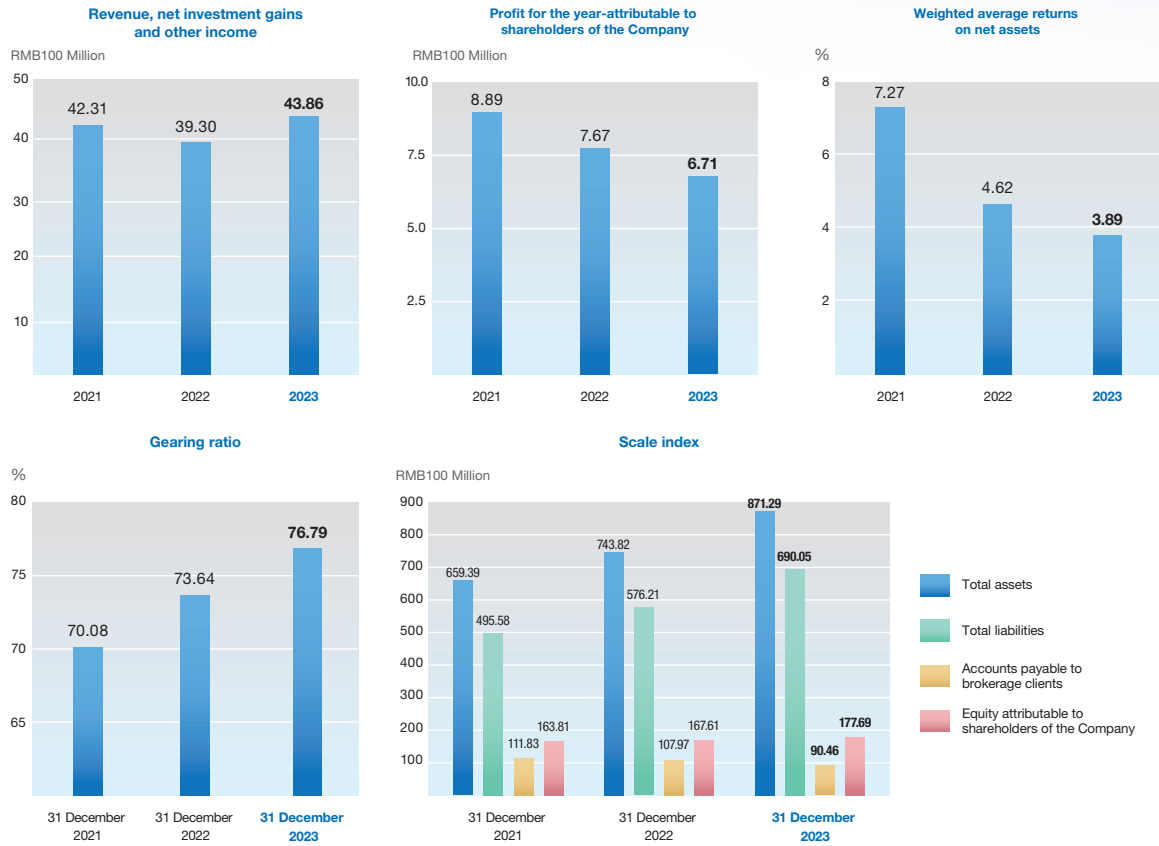
### I. Principal Accounting Data and Financial Indexes

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

Items	2023	2022	Year-on-Year Growth	2021
<b>Operating results (RMB'000)</b>				
Revenue, net investment gains and other income	4,385,566	3,930,127	11.59%	4,231,270
Profit before income tax	825,417	965,433	-14.50%	1,173,365
Profit for the year – attributable to shareholders of the Company	671,319	767,285	-12.51%	888,640
Net cash from operating activities	779,788	1,954,599	-60.10%	-6,854,689
<b>Earnings per share (RMB/share)</b>				
Basic earnings per share	0.24	0.27	-11.11%	0.36
Diluted earnings per share	0.24	0.27	-11.11%	0.36
<b>Profitability index</b>				
Weighted average returns on net assets	3.89%	4.62%	Decreased by 0.73 percentage point	7.27%
Items	31 December 2023	31 December 2022	Year-on-Year Growth	31 December 2021
<b>Scale index (RMB'000)</b>				
Total assets	87,128,874	74,381,997	17.14%	65,939,239
Total liabilities	69,005,316	57,621,443	19.76%	49,558,170
Accounts payable to brokerage clients	9,046,099	10,797,281	-16.22%	11,182,579
Equity attributable to shareholders of the Company	17,768,691	16,760,554	6.01%	16,381,069
<b>Total share capital ('000 shares)</b>	<b>2,831,773</b>	<b>2,831,773</b>	<b>0.00%</b>	<b>2,831,773</b>
<b>Net asset value per share attributable to shareholders of the Company (RMB/share)</b>	<b>6.27</b>	<b>5.92</b>	<b>5.91% Increased by 3.15 percentage points</b>	<b>5.78</b>
<b>Gearing ratio<sup>1</sup></b>	<b>76.79%</b>	<b>73.64%</b>		<b>70.08%</b>

<sup>1</sup> Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

## Section 3 Summary of Accounting and Business Data



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

#### Earnings (RMB'000)

Items	2023	2022	2021	2020	2019
Revenue, net investment gains and other income	4,385,566	3,930,127	4,231,270	2,682,023	2,123,571
Total expenses	3,643,596	3,010,246	3,059,604	1,905,089	1,457,452
Profit before income tax	825,417	965,433	1,173,365	787,922	686,485
Profit for the year – attributable to shareholders of the Company	671,319	767,285	888,640	587,871	521,343

## Section 3 Summary of Accounting and Business Data

### Assets (RMB'000)

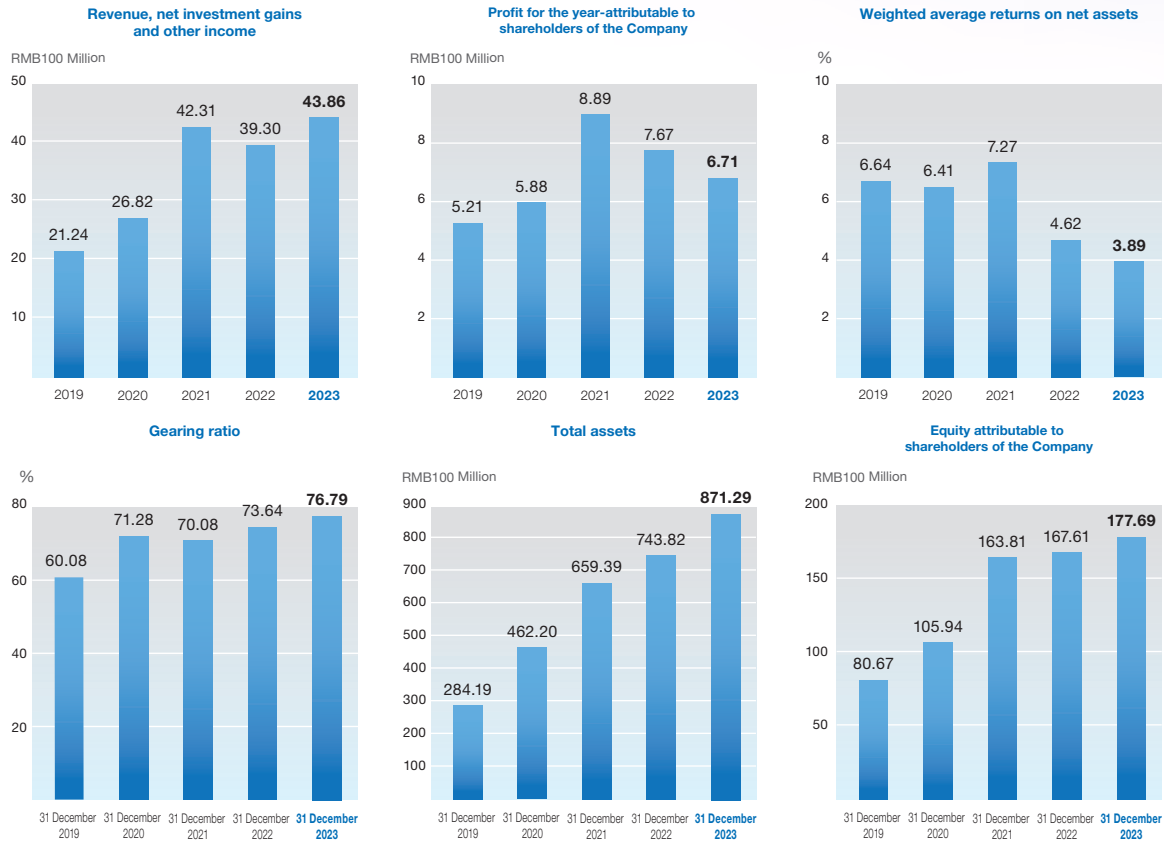
Items	31 December 2023	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Total assets	87,128,874	74,381,997	65,939,239	46,219,949	28,419,403
Total liabilities	69,005,316	57,621,443	49,558,170	35,625,779	20,352,077
Accounts payable to brokerage clients	9,046,099	10,797,281	11,182,579	9,327,198	8,212,333
Equity attributable to shareholders of the Company	17,768,691	16,760,554	16,381,069	10,594,170	8,067,326
Total share capital ('000 shares)	2,831,773	2,831,773	2,831,773	2,378,119	1,902,400

### Key financial indexes

Items	2023	2022	2021	2020	2019
Basic earnings per share (RMB/share)	0.24	0.27	0.36	0.28	0.27
Diluted earnings per share (RMB/share)	0.24	0.27	0.36	0.28	0.27
Weighted average returns on net assets	3.89%	4.62%	7.27%	6.41%	6.64%

Items	31 December 2023	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Gearing ratio	76.79%	73.64%	70.08%	71.28%	60.08%
Net asset value per share attributable to shareholders of the Company (RMB/share)	6.27	5.92	5.78	4.45	4.24

## Section 3 Summary of Accounting and Business Data



## Section 3 Summary of Accounting and Business Data

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

The consolidated financial statements prepared by the Company in accordance with the IFRS and the Accounting Standards for Business Enterprises of the PRC show no difference in the net profit in 2023 and 2022 and the net assets as at 31 December 2023 and 31 December 2022.

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

Unit: in RMB'000

Items	31 December 2023	31 December 2022
Net capital	14,901,649	16,359,291
Net assets	17,444,475	16,523,916
Sum of various risk capital provisions	8,565,227	8,504,965
Total on-and off-balance-sheet assets	89,032,143	71,862,605
Risk coverage ratio (%)	173.98	192.35
Capital leverage ratio (%)	13.76	20.33
Liquidity coverage ratio (%)	167.36	160.06
Net steady fund rate (%)	133.48	143.66
Net capital/net assets (%)	85.42	99.00
Net capital/liabilities (%)	25.22	35.26
Net assets/liabilities (%)	29.53	35.62
Proprietary equity securities and their derivatives/net capital (%)	52.91	48.76
Proprietary non-equity securities and their derivatives/net capital (%)	264.15	232.66

Note: During the Reporting Period, all risk control indexes, including net capital of the parent company, were in compliance with the relevant provisions of the Administrative Measures for the Risk Control Indexes of Securities Companies issued by the CSRC.

## Section 4 Report of the Board

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

#### (I) Overall Operation of the Company

For the whole year of 2023, the Group achieved revenue, net investment gains and other income totaling RMB4.386 billion, representing a year-on-year increase of 11.59%. Net profit attributable to shareholders of the Company of RMB671 million was achieved, representing a year-on-year decrease of 12.51%. As at 31 December 2023, total assets of the Group was RMB87.129 billion, and net assets attributable to shareholders of the Company was RMB17.769 billion and the weighted average returns on net assets was 3.89%.

The revenue generated from the brokerage and wealth management business was RMB969 million, representing a year-on-year decrease of 7.57%; the revenue generated from the investment banking business was RMB543 million, representing a year-on-year increase of 3.25%; the revenue generated from the asset management and investment business was RMB470 million, representing a year-on-year increase of 139.06%; the revenue generated from the credit transaction business was RMB718 million, representing a year-on-year decrease of 0.88%; and the revenue generated from the proprietary trading business was RMB1.374 billion, representing a year-on-year increase of 18.96%.

#### (II) Analysis of Principal Business

##### (I) Brokerage and Wealth Management Business

###### *Market Environment*

In 2023, the overall market trading sentiment of the domestic securities market declined as compared with the same period of last year. According to the information of the Shanghai, Shenzhen and Beijing Stock Exchanges, the yearly stocks and funds trading volume of the Shanghai, Shenzhen and Beijing markets was RMB240.72 trillion, with an average daily turnover of stocks and funds of RMB994.711 billion, representing a year-on-year decrease of 2.88%.

###### *Actions and Achievements*

During the Reporting Period, the Company completed a new round of structural adjustments, established the Wealth Management Committee, optimised the refined service regime and management system with the hierarchical classification of customers and employees, and initially established an organisational system in line with the development of the wealth management business through focusing on the core elements of wealth management and corporate strategic layout.



## Section 4 Report of the Board

The Company continued to facilitate the wealth management transformation from the buyers' perspective, further solidifying its customer base and optimising its customer structure, with newly added customers of 150,600, bringing a cumulative total of 1,736,400 customers during the Reporting Period, a year-on-year growth of 9.64%. The Company established and improved the "Good Doctor of the Way to Wealth (大方向好醫生)" service system to develop its online customer solicitation and service capabilities, and improved its online service matrix through new media platforms such as the "Way to Wealth (大方向)" official account, accumulating over 1.44 million user fans, and delivering 2,680 contents with a cumulative readership of 30.37 million across all platforms during the Reporting Period.

Taking fund investment advisory as the key, the Company continued to enhance the experience and sense of gain of contracted customers of investment advisory. As of the end of the Reporting Period, the total number of contracted customers of fund investment advisory was 300,200, representing a year-on-year growth of 24.93%, and the asset size of authorised accounts was RMB6.594 billion, unchanged year-on-year. At the same time, the Company continued to upgrade its fund investment advisory ToB business model, expanded channel coverage and facilitated the consolidation of channel business, launching 7 new channels and cumulatively launching 30 channels during the Reporting Period.

In terms of sales of financial products, the Company steered the concept of product sales towards deployment-based sales by intensifying the retention assessment. During the Reporting Period, the sales scale of the Company's financial products (excluding "Xianjintianli (現金添利)", the cash management product) amounted to RMB18.403 billion, representing a year-on-year decrease of 14.76%, while the retention of financial products at the end of the period amounted to RMB19.330 billion, representing a year-on-year increase of 8.16%.

### *Outlook for 2024*

In 2024, the Company will endeavour to promote a total and partial commission business model focusing on asset deployment to realise a buyer's investment advisory service model with different customer categories and demands. The Company will facilitate the development of an asset deployment regime from the buyers' perspective, enhance its research on global vision and multi-asset deployment, and promote the creation of multi-strategy investment tools to effectively connect our corporate deployment capabilities with frontline employees. The Company will enhance the coverage of Internet and banking channels and improve the Good Doctor service system to form a business model integrating online service for customer acquisition and transformation of offline services. The Company will also advance channel business integration and deepen the vertical integration of corporate wealth management to achieve in-depth coverage of its customer base and business scale growth.

### (II) Investment Banking Business

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

#### 1. Equity Financing Business

##### *Market Environment*

At the beginning of 2023, the comprehensive registration system reform was duly implemented, which on one hand improved the direct financing system and brought about the incremental potential for the investment banking business of securities companies. On the other hand, it also required securities companies to further fulfill their duties and endeavour to enhance the comprehensive service capability of investment banking. On 27 August, since the regulatory authorities put forward the counter-cyclical adjustment of the primary and secondary markets, the pace of the A-share equity financing scale slowed down, but the rise of the Beijing Stock Exchange brought new impetus to the securities companies' investment banking. According to the statistics from Wind, there were 818 equity financing projects in the entire market in 2023, representing a year-on-year decrease of 165, with a total financing amount of RMB1,134.430 billion, representing a year-on-year decrease of 32.80%.

##### *Actions and Achievements*

In 2023, under the market situation where the number and scale of equity financing issuances were declining, Hua Ying Securities proactively overcame the adverse market impact and focused on the business of the Beijing Stock Exchange, completing 6 equity projects with a total underwriting amount of RMB3.956 billion, realising the full coverage of the stock exchanges in Shanghai, Shenzhen and Beijing for its equity business, and ranking 21st in terms of the number of IPO sponsors, and 12th and 15th in terms of number and amount of underwriting on the Beijing Stock Exchange, respectively.

## Section 4 Report of the Board

During the Reporting Period, Hua Ying Securities completed 4 IPO projects, namely Minami Shares (天鍵股份), Haidaer (海達爾), Bescient (碧興物聯) and Keqiang Shares (科強股份), with a total underwriting amount of RMB2.368 billion. In addition, it also obtained 1 project that had already obtained approvals and pending issuance, 1 project with application that passed the review, 3 projects under review and 17 tutoring projects, thus achieving a virtuous circle in the IPO business. In terms of refinancing business, it completed 2 projects, namely General Science and Chunqiu Electronic, with a total underwriting amount of RMB1.588 billion. It also had 1 project that had already obtained approvals and pending issuance, 4 projects under review.

The table below shows the details of equity underwriting and sponsorship business in 2023:

Currency: RMB

Items	2023		2022	
	Underwriting amount (In 100 million)	Number of issuances (Unit)	Underwriting amount (In 100 million)	Number of issuances (Unit)
Initial public offering	23.68	4	24.00	3
Refinancing issuance	15.88	2	28.00	1
Others	0.00	0	0.00	3
Total	39.56	6	52.00	7

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

### Outlook for 2024

In 2024, Hua Ying Securities will place the IPO of the Beijing Stock Exchange as its key business direction. By accelerating the progress of the existing projects to be reported, and sorting and recalibrating the existing projects, Hua Ying Securities will continue to increase the project reserve of the Beijing Stock Exchange, and focus on developing a batch of high-quality and featured projects to further consolidate and enhance its industry ranking. At the same time, the company will give full play to its comprehensive financial synergies, broaden its business path through the business model featuring the “investment banking +” characteristics, provide financial services along the entire value chain for corporate customers, and create a “high-quality and featured” investment banking.

### 2. *Bond Financing Business*

#### *Market Environment*

In 2023, domestic bond issuance continued to grow under the dual progress of unified bond market regulation and comprehensive registration system reform. According to the data released by the People's Bank of China, a total of RMB65.62 trillion of various bonds were issued in the bond market in 2023, representing a year-on-year growth of 6.79%, including RMB33.46 trillion of financial bonds, RMB12.89 trillion of credit bonds and RMB19.27 trillion of other types of bonds.

#### *Actions and Achievements*

In 2023, Hua Ying Securities maintained an upward momentum in its bond business, focused on products and sought new breakthroughs under stringent risk control, and endeavoured to support the development of the real economy by leveraging its expertise in bond product financing, accounting for only two out of the first batch of 34 enterprise bonds registered with the CSRC, thus further enhancing its brand influence. During the Reporting Period, Hua Ying Securities completed a total of 135 bond underwriting projects and 19 government bond sub-underwriting projects, with a total underwriting amount of RMB51.581 billion, representing a year-on-year increase in the number and scale of underwriting by 22.22% and 30.94%, respectively. It had 40 bond projects that had already obtained approvals and were pending issuance, and 32 bond projects under review, with a pending issuance amount exceeding RMB100 billion.

## Section 4 Report of the Board

The table below shows the details of the bonds underwriting business in 2023:

Currency: RMB

Items	2023		2022	
	Underwriting amount (In 100 million)	Number of issuances (Unit)	Underwriting amount (In 100 million)	Number of issuances (Unit)
Enterprise bonds	15.70	3	13.00	2
Corporate bonds	492.71	131	348.98	92
Financial bonds	0.00	0	2.00	1
Exchangeable bonds	0.00	0	14.97	4
Local government bonds	7.40	19	14.97	27
Others	0.00	1	0.00	0
Total	515.81	154	393.92	126

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

### *Outlook for 2024*

In 2024, Hua Ying Securities will continue to improve its bond professional service quality and enhance the financial innovation capability of the bond business. It will fortify the strengths of the bond underwriting business in Wuxi, and further expand its market share. It will strengthen the maintenance of investment institutions, expand the bond sales network, and enhance bond sales capabilities. Besides, it will explore the business of developing high-quality bond projects in conjunction with serving the national and regional development strategies to facilitate financial services to the real economy.

### 3. *Financial Advisory Business*

#### *Market Environment*

According to the statistics from Wind, the number of announced transactions in China's mergers and acquisitions and restructuring market (excluding overseas mergers and acquisitions) in 2023 was 8,960, down by 604 transactions year-on-year, with a transaction value of RMB1,982.651 billion, representing a year-on-year decrease of 23.74%. The number of completed transactions was 3,870, down by 1,181 transactions year-on-year, with a transaction value of RMB566.275 billion, representing a year-on-year decrease of 51.81%.

#### *Actions and Achievements*

Hua Ying Securities provided high-quality financial advisory services to premier customers by matching customer resources and strengthening business synergy. During the Reporting Period, Hua Ying Securities completed 157 financial advisory projects, including 6 recommended NEEQ listing projects, 5 private placement projects, and ongoing supervision for 92 enterprises on the NEEQ.

#### *Outlook for 2024*

In 2024, Hua Ying Securities will adhere to customer-focused measures, diversify its business layout, and perform a good job in providing financial advisory services to its customers. It will conduct in-depth industry research and analysis to seize business opportunities for mergers and acquisitions and restructuring and commit to serving the real economy to further improve the comprehensive service capabilities of financial advisory.

## Section 4 Report of the Board

### (III) Asset Management and Investment Business

#### 1. *Securities Asset Management Business*

##### *Market Environment*

In 2023, with deepening financial reforms and a new regulatory framework of “the People’s Bank of China, the National Financial Regulatory Administration, and the China Securities Regulatory Commission (一行一局一會)”, the financial regimes and systems kept on improving and accelerated the high-quality development of the asset management industry in terms of refinement and standardisation. It became an inevitable trend for the development of the asset management business of securities companies to enhance their active management capability and revert to the essence of the asset management business. Various assets management institutions accelerated the development of multi-level product systems and asset allocation capabilities, established differentiated business models and core competitiveness. According to the statistics from the Asset Management Association of China, as of the end of the fourth quarter of 2023, the total amount of asset management business of fund management companies and their subsidiaries, securities companies and their subsidiaries, futures companies and their subsidiaries, and private equity fund management institutions amounted to RMB67.06 trillion, among which, the amount of private equity asset management business of securities companies and their subsidiaries amounted to RMB5.93 trillion.

##### *Actions and Achievements*

In 2023, the Company seized the development opportunities of wealth management transformation in terms of its asset management business, adhered to customer-focused measures and continued to optimise its product innovation capability, investment research capability and overall risk management capability, so as to develop a differentiated business model and core competitiveness. The Company’s results of key products remained at the forefront of the market, ranking in the top 10% of pure bonds with fixed-income products, the top 40% of products with options, the top 30% of the overall results, and the 9th in the industry in terms of the scale of new issuance of ABS. In September 2023, the Company received the approval for the establishment of asset management subsidiary.

As of the end of the Reporting Period, the Company managed a total of 300 asset management schemes, and the entrusted funds of the asset management business amounted to RMB117.293 billion, representing a year-on-year growth of 14.94%. During the Reporting Period, operating income amounted to RMB189,766,900 was recorded, representing a year-on-year increase of 2.55%. Among these, 4 were public-offered funds (including large-scale fund collections) products, with an asset size of RMB8.773 billion; 84 were Collective Asset Management Schemes, with an asset size of RMB20.957 billion; 146 were Single Asset Management Schemes, with an asset size of RMB49.154 billion; 66 were Specialized Asset Management Schemes, with an asset size of RMB38.408 billion.

## Section 4 Report of the Board

Categories	Size of asset management (In RMB100 million)		Operating income (In RMB ten thousand by SAC standards)	
	End of 2023	End of 2022	2023	2022
Public-offered funds (including large-scale fund collections)	87.73	72.06	3,636.90	2,485.10
Collective Asset Management Scheme	209.57	116.78	5,290.62	5,489.98
Single Asset Management Scheme	491.54	546.57	4,338.62	4,643.34
Specialized Asset Management Scheme	384.08	285.07	5,710.55	5,887.06
Total	1,172.93	1,020.48	18,976.69	18,505.48

### *Outlook for 2024*

In 2024, the Company will continue to adhere to professional values in terms of its asset management business, improve both internally and externally, perform well in dynamic asset deployment, keep abreast of the industry's cutting-edge trends, cover five major segments including fixed income, fixed income+, FOF deployment, equity and derivatives and ABS, strengthen its product supply capacity, enrich its product strategies, continue to raise the standard of its comprehensive financial services, and develop its own characteristics in wealth management. It will strengthen the integration of business intelligence and provide customers with multi-level, all-round and high-quality asset management services. At the same time, it will accelerate the operation of its asset management subsidiary, and coordinate the establishment of its compliance, risk management and talent teams to enhance its professional operation capability.

### **2. Public-offered Fund Management Business**

To make up for the shortfall of the public-offered fund licence, grasp the strategic industry development opportunities, deepen the transformation of wealth management, and improve the ability of comprehensive financial services, the Company acquired 75.5% equity interests in ZhongRong Fund during the Reporting Period. On 1 August, ZhongRong Fund was renamed as Guolian Fund, embarking on a new journey of development.



## Section 4 Report of the Board

### *Market Environment*

In 2023, with the official implementation of kick-starting the fee rate reform of public-offered funds, the implementation of the optimisation standards for the securities trading model of public-offered funds, as well as the launch of variable categories of innovative funds, such as hybrid valuation method bond funds and floating fee rate products, investors were provided with richer deployment tools, which also provided firm support for consolidating the foundation and opening up new visions, as well as fostering the stable development of the industry. As of the end of 2023, the total management scale of public-offered funds reached RMB27.6 trillion, with the total management scale of the industry and the number of products hitting new highs. Amidst the steady growth in the scale of the industry, public-offered funds have also experienced numerous structural changes. In particular, due to the continuous market turbulence and weak profit-making effect, the equity fund issuance market experienced sluggishness, with the share of newly issued funds hitting a record low in the past five years. In contrast, the ETF market experienced explosive growth, with its scale exceeding 2 trillion, which has become an important milestone in the capital market.

### *Actions and Achievements*

In 2023, starting from the 10th anniversary of the establishment of Guolian Fund, it insisted on focusing on serving customers and oriented towards creating long-term value returns for customers and continued to facilitate the high-quality development of various businesses by reshaping and refining the investment and research regime, establishing a balanced development of the sales and service system, and establishing a product spectrum that continues to satisfy the increasingly segmented needs of customers for wealth management. As of the end of 2023, the total asset management scale of Guolian Fund was RMB148.767 billion, of which, the non-monetary public-offered funds management scale was RMB101.573 billion, exceeding RMB100 billion and ranking 44th in the industry, climbing up by 2 places from 2022, with 85 public-offered funds under management. According to the data of China Galaxy Securities Fund Research Center, Guolian Fund ranked 14th among 107 fund companies in terms of active stock management ability in the past three years; ranked 22nd among 99 fund companies in terms of active stock management ability in the past four years; ranked 51st among 107 fund companies in terms of active bond management ability in the past three years; and ranked 25th among 93 fund companies in terms of active bond management ability in the past four years.

### *Outlook for 2024*

In 2024, with the implementation of a series of policies to stabilise the economy and boost development, and under the continuous impetus of various optimisation measures for the high-quality development of the public-offered fund industry, Guolian Fund will fully leverage its own business and professional advantages and continue to enhance its core competitiveness in investment and research and the standard of customer service by meeting customers' needs for wealth management, firmly adhere to the concept of long-term value investment, strictly abide by the bottom line of compliance, and actively perform the mission of inclusive finance and its social responsibility to promote the high-quality development of the business.

### **3. Private Equity Investment Business**

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

#### *Market Environment*

In 2023, with the promulgation of the first administrative regulations for the private investment fund industry and the successive implementation of a series of supporting rules, the investment pace of the market slowed down amidst the slowdown in global economic growth, the investment style gradually became more and more rational, and the fund-raising market vibrancy was restricted, with the investment market as a whole moderately declining. In terms of fund providers, government-guided funds remained the main fund provider, while market-oriented institutions were relatively more conservative and cautious. In terms of investment areas, the electronic information industry continued its leading role in 2023, topping the list in terms of both the volume and scale of investments. According to the statistics from CVSource, the number of new funds in the private equity market in 2023 was 8,322, representing a year-on-year decrease of 4.67%, and the subscription size of newly established funds was US\$614.06 billion, representing a year-on-year decrease of 9.36%.

## Section 4 Report of the Board

### *Actions and Achievements*

In 2023, Guolian Capital continued to enhance its industry research and intensified its in-depth deployment in key areas. Through market-oriented channels and collaboration with internal and external parties, it endeavoured to explore high-quality project resources and expanded its business scope. It commenced incremental equity investment business through the establishment of new funds. At the same time, it adjusted its investment strategies based on the latest developments in the capital market and industry frontiers. During the Reporting Period, Guolian Capital put greater efforts into the deployment of new investment sectors such as medical devices, integrated circuits and intelligent manufacturing, and established five new funds such as Guolian Shuoying (國聯碩盈) and Guolian Tongda (國聯通達), with newly added management scale of RMB1.272 billion. As of the end of the Reporting Period, Guolian Capital had 20 subsisting filing funds, with a subsisting management scale of RMB6.150 billion and a cumulative investment of RMB1.974 billion.

### *Outlook for 2024*

In 2024, Guolian Capital will continue to reinforce its cooperation with government-guided funds and market-oriented professional organisations, and expand deeper and multi-dimensional investment and financing cooperation with local governments and market-oriented organisations targeting industry leadership and will also strengthen the synergy of domestic and overseas business. It will continue leveraging its strengths in professional investment judgment to expand multi-level cooperation with listed companies through establishing funds and investing in industrial sectors. It will also gather the advantageous resources of all parties and invest mainly in the principal business and industrial chain of listed companies to magnify the industrial leadership of listed companies and the brand influence of Guolian Capital.

### (IV) Credit Transaction Business

#### 1. *Margin Financing and Securities Lending Business*

##### *Market Environment*

In 2023, affected by the downturn of the A-share market, the margin financing and securities lending business encountered many policy adjustments. After the implementation of new policies on the margin financing and securities lending business in September, the overall scale of A-share margin financing and securities lending showed an upward trend. As of the end of the Reporting Period, the average daily balance of margin financing and securities lending in the entire market amounted to RMB1,602.579 billion, representing a year-on-year decrease of 0.96%.

##### *Actions and Achievements*

During the Reporting Period, the Company kept abreast of market and policy changes and optimised its business segments and service system to enhance customers' investment experience. It continued to improve the construction of its marketing system to fully tap into customers' needs and further enhance its business competitiveness. It made in-depth efforts to cultivate high-net-worth customers and professional investors, and accurately implemented promotional plans for its margin financing and securities lending business by focusing on the differentiated and customized needs of customers. It also effectively consolidated internal and external resources, expanded securities sourcing channels, and proactively tapped into the potential of customers with specific needs. Further, it emphasized risk management and control through accelerating the development of the tiered management system of guaranteed securities and strengthening prior risk warnings.

As at the end of the Reporting Period, the total number of credit accounts of the Company was 27,000, representing a year-on-year increase of 6.30%. The total credit amount of margin financing and securities lending was RMB74.213 billion, representing a year-on-year increase of 6.46%. The average daily balance of the margin financing and securities lending was RMB10.231 billion, representing a year-on-year increase of 10.72%. The average daily market share in terms of business scale was 6.384%, representing a year-on-year increase of 11.79%. Interest income from the margin financing and securities lending business amounted to RMB606 million, representing a year-on-year growth of 6.69%. Both the period-end balance of the margin financing and securities lending and period-end market share of the business scale reached a record high for the Company during the year.

## Section 4 Report of the Board

### *Outlook for 2024*

In 2024, the Company will adhere to its customer-centric approach, and build a regional, multi-level and differentiated target customer group system to continuously enrich its service model. It will focus on research and breakthroughs in private equity customers, and enhance internal and external cooperation to further optimize its customer structure. In addition, it will strengthen the cultivation of specialists in its branches on the margin financing and securities lending business, and implement specialists to provide regular services at fixed locations. Further, it will explore potential customer groups intensively, and implement precise and comprehensive development strategies for each customer group. The Company will also continue to improve the risk prevention and control system to enhance the risk management and prevention ability.

### **2. Stock Pledged Repurchase Business**

#### *Market Environment*

With the steady progress of the reform of the comprehensive registration system and the further standardisation of shareholding reduction, the overall business scale of the market declined slightly. Currently, the interest rates of major securities companies for stock pledges show a downward trend, and the stock-pledged business in the market is dominated by stock business. The polarisation is more obvious, and the new businesses mainly concentrate on high-quality companies with better profitability.

#### *Actions and Achievements*

During the Reporting Period, the Company conducted business according to market conditions and under the premise of strictly controlling business risks, and the strategy of focusing on stock replacement in the stock pledged repurchase business was in line with the overall market trend. As of the end of the Reporting Period, the principal balance of stock pledged repurchase business of the Company was RMB2.394 billion, representing a year-on-year decrease of 37.93%. Of which, the balance of investment (on-balance sheet) stock pledged repurchase business was RMB1.329 billion, representing a year-on-year decrease of 38.67%, with an average performance guarantee ratio of 315.55%. The balance of management (off-balance sheet) stock pledged repurchase business was RMB1.065 billion, representing a year-on-year decrease of 36.98%, with an average performance guarantee ratio of 195.70%.

### *Outlook for 2024*

In 2024, the Company will continue to adopt the principle of conservation in the development of the stock pledged repurchase business, and will continue to strengthen risk management to promote its stable development. It will carefully select quality projects to cautiously develop incremental business, strengthen internal business linkages, and further enhance the breadth and depth of business cooperation in response to the diversified needs of our customers.

### **(V) Proprietary Trading Business**

#### ***Market Environment***

In 2023, China's economy faced numerous challenges through its recovery and development, such as insufficient effective demand, structural overcapacity, weak social expectations, and many hidden risks. In this regard, monetary policy continued to exert its force, and the combination of policies on finance, capital market, and real estate market also intensified their execution since the third quarter. Against this backdrop, from January to April, the A-share market continued its rebound since the end of last year, with a more pronounced industry differentiation, in which AI-related industries and low-valued state-owned enterprises continued to gain the attention of market capital with a significantly increasing rate. After May, the market as a whole showed a fluctuating downward trend, with a marked increase in pressure for adjustment due to the continuous interest rate hikes of the US dollar, the weaker-than-expected recovery in the domestic economy, and the continuous weakening of the RMB exchange rate. Meanwhile, the bond market was generally bullish in 2023, with yields in the first seven months below the general trend and volatility increased after August. Against the backdrop of the bond package, yields on credit products showed a fluctuating downward trend, and credit spreads continued to narrow down. Taking the entire year for consideration, the yield on 10-year treasury bonds declined from 2.84% at the beginning of the year to 2.56% at the end of the year, down 28BP, while the yield on 1-year AA+ medium-term notes declined from 3.01% at the beginning of the year to 2.63% at the end of the year, 38BP lower.

#### ***Actions and Achievements***

For equity proprietary trading business, the Company has all along been taking absolute return as its target and focused on undervalued industries and companies or those that had good growth potential to carry out its businesses steadily while taking risks and returns into consideration. In 2023, the equity proprietary trading business continued to adhere to the defence strategy and counter-attack and strengthened its anticipation of macro trends under the weak market environment, and made timely position adjustments. Simultaneously, it strengthened its grasp of market opportunities at different stages, and fully captured the opportunities of the market rebound in the first half year to realize excess returns, with the yield significantly outperforming the CSI 300 index.

## Section 4 Report of the Board

For fixed-income business, the Company adheres to the concept of fixed-income business of sellers with steady investment and focusing on clients' needs as its core, and has formed a multi-category and multi-strategy regime in its investment and trading business, while its capital intermediary business has continued to make breakthroughs in terms of channel construction and product creation. The Company actively participated in the development of innovative businesses in the market, with continuous growth in business transaction volume. During the Reporting Period, the Company was recognised as one of the “2023 Top 100 Institutions for Bond Market Trading on the Shanghai Stock Exchange (2023年上交所債券市場交易百強機構)”, and the “Market Influential Institution of the Year (年度市場影響力機構)” and the “Market Innovative Business Institution (市場創新業務機構)” in the interbank local currency market in 2023, with market influence increasing constantly.

For equity derivatives business, the Company continued to deepen product innovation, enrich application scenarios, proactively seek market opportunities, optimize position structure, and take various measures to control risks. The proprietary trading business, based on its remarkable resources, operated steadily and achieved stable investment returns through professional and refined model optimization. The over-the-counter derivatives business effectively met the diversified investment and hedging needs of customers. Leveraging the continuous optimization of the long-short position swap trading function, the number of customers interacted has gradually increased.

### *Outlook for 2024*

For the equity proprietary trading business, the Company will continue to strengthen fundamental research, enhance the construction of its investment research and risk control system, and strengthen market research and judgment to develop a stock investment business steadily. In 2024, although the domestic A-share market is still facing certain pressure, however, opportunities will outweigh challenges. Although the economic recovery process is slow, it is still pushing forward, and even though the interest rate of the US dollar is high, it is expected to decline. The market will gradually return to matching valuations with fundamentals in the future. In 2024, the equity investment business of the Company will focus on the layout of medium and long-term opportunities and further select growing individual stocks, supplementing with strategic investment models such as private placement and convertible bonds, while flexibly using position adjustments, futures hedging and other methods to achieve a balance between risks and returns, and carry out stock investment business steadily.

## Section 4 Report of the Board

For fixed-income business, the Company will continue to adhere to the concept of fixed-income business of sellers, continue to push forward the application for new business qualifications, enhance customer service capability, and expand and strengthen the customer demand-oriented business. It will continue to enhance its investment research capability, strictly control the exposure to credit risk, and constantly enhance its profitability and profit stability. In addition, it will continue to enhance the market-making quoting capability of inter-bank market makers, and proactively provide liquidity to the market. It will continue to increase the investment in quantitative trading by taking the market-making business as an opportunity, focusing on strengthening the introduction of quantitative trading personnel, system development and strategy development capability, and striving to open up a new profit model which integrates trading with the valuation of customers' quantitative businesses.

For equity derivatives business, while preventing and controlling position risks, on one hand, the Company will strengthen the construction of its investment research capabilities and enhance the diversification of its strategies, strive to provide liquidity to the exchange market and form an exchange product ecosystem, and continue to facilitate the qualification for market-making business in stock options and the application for licences in other subsectors. On the other hand, it will continue to improve its product supply and trading services, enhance sales system construction and product layout, and push forward the digitalization of its operations with the creation of a service platform to meet the actual needs of the global asset deployment of its customers and its industrial upgrading.

### (III) Financial Statements Analysis

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

During the Reporting Period, the global economy was under pressure due to the FED's continuous interest rate hikes and also geopolitical conflicts. The domestic economy recovered in twists and turns, and overall pressure was relatively high. The capital market showed a trend of strong bonds and weak shares, with market vibrancy declining. Faced with the downward pressure in the market, the Company seized the opportunity to vigorously implement the "forging of strengths (鑄長板)" of business and strategic mergers and acquisitions, operated steadily and strictly adhered to the bottom line of compliance and risk control, whereby it continuously innovated new products and services, and the overall business layout has become more reasonable, diversified and stable.

During the Reporting Period, the Group generated total revenue, net investment gains and other income of RMB4,385.57 million, representing a year-on-year increase of 11.59%. Net profit attributable to shareholders of the Company amounted to RMB671.32 million, representing a year-on-year decrease of 12.51%. Earnings per share amounted to RMB0.24, representing a year-on-year decrease of 11.11%. The weighted average returns on net assets amounted to 3.89%, representing a year-on-year decrease of 0.73 percentage point.



## Section 4 Report of the Board

### 2. Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB87,128.87 million, representing an increase of 17.14% as compared to RMB74,382.00 million as at the end of 2022. Total liabilities amounted to RMB69,005.32 million, representing an increase of 19.76% as compared to RMB57,621.44 million as at the end of 2022. Equity attributable to shareholders of the Company amounted to RMB17,768.69 million, representing an increase of 6.01% as compared to RMB16,760.55 million as at the end of 2022.

During the Reporting Period, the asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, total assets of the Group comprised of: cash assets, which amounted to RMB14,261.06 million, representing 16.37% of the total assets, and primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits; margin financing assets, which amounted to RMB15,433.58 million, representing 17.71% of the total assets, and primarily included margin accounts receivable and financial assets held under resale agreements; financial investment assets, which amounted to RMB51,534.02 million, representing 59.15% of the total assets, and primarily included interests in an associate and a joint venture and investment in financial assets; and operating assets including other property and equipment, which amounted to RMB5,900.21 million, representing 6.77% of the total assets, and primarily included property and equipment, right-of-use assets, intangible assets and goodwill. During the Reporting Period, the Group performed impairment assessment on margin accounts receivable, financial assets held under resale agreements, debt instruments at fair value through other comprehensive income, accounts receivable and other receivables using the expected credit loss model. There was no evidence showing that the assets of the Group may be subject to significant impairment.

In light of market condition, the Company strengthened its liquidity management, expanded its business scale and prevented credit risk. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB59,959.22 million, representing a year-on-year increase of RMB13,135.06 million or 28.05%. The gearing ratio of the Group was 76.79%, representing an increase of 3.15 percentage points from 73.64% as at the end of 2022 (Note: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 4.39 times, representing an increase of 15.83% from 3.79 times as at the end of 2022 (Note: Operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

### 3. Financing Channels and Financing Capability

Through equity financing and various types of financing methods including debt financing, the Company continued to supplement its working capital and constantly enhancing its capital strengths to ensure the liquidity security of the Company. During the Reporting Period, the Company cumulatively added RMB17.856 billion through various debt financing instruments (excluding inter-bank borrowing transactions and issued floating-income type income certificates), and repaid the principal of matured debt financing of RMB13.236 billion cumulatively. The remaining amount of outstanding debt financing of the Company at the end of 2023 was RMB24.875 billion in total. The average interest rate level of new debt financing decreased compared with previous years. In addition, there was outstanding inter-bank credit lending of RMB5.313 billion.

### 4. Liquidity Management Information of the Company

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

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

### 5. Cash Flows

As the Group's cash inflow generated from the operating activities and financing activities in the current year was more than the cash outflow from investing activities, the net increase in cash and cash equivalents was RMB3,595.72 million.

Net cash flows from operating activities in 2023 was RMB779.79 million, representing a year-on-year decrease of RMB1,174.81 million as compared with RMB1,954.60 million for the corresponding period in 2022. Net cash flows from investing activities in 2023 was RMB-904.82 million, representing a year-on-year increase of RMB1,259.03 million as compared with RMB-2,163.85 million for the corresponding period in 2022. Net cash flows from financing activities in 2023 was RMB3,720.75 million, representing a year-on-year increase of RMB2,185.96 million as compared with RMB1,534.79 million for the corresponding period in 2022. Net increase in cash and cash equivalents in 2023 was RMB3,595.72 million, representing a year-on-year increase of RMB2,270.18 million as compared with RMB1,325.54 million for the corresponding period of 2022.

## Section 4 Report of the Board

### 6. Analysis of Financial Data

#### (1) Items under income statement

##### Summary of financial results

During the Reporting Period, the Group's profit before income tax amounted to RMB825.42 million, representing a year-on-year decrease of 14.50%. The key financial results are as follows:

Unit: in RMB million

Items	2023	2022	Increase/ decrease	Growth rate year-on-year
<b>Revenue</b>				
Commission and fee income	1,805.29	1,559.94	245.35	15.73%
Interest income under effective interest method	1,330.28	1,208.54	121.74	10.07%
Net investment gains	1,243.46	1,158.72	84.74	7.31%
Other income	6.54	2.93	3.61	123.21%
<b>Total revenue, net investment gains and other income</b>	<b>4,385.57</b>	<b>3,930.13</b>	<b>455.44</b>	<b>11.59%</b>
Total expenses	3,643.60	3,010.25	633.35	21.04%
Profit before income tax	825.42	965.43	-140.01	-14.50%
Income tax expense	150.87	198.15	-47.28	-23.86%
Profit for the year	674.55	767.29	-92.74	-12.09%
Net profit attributable to shareholders of the Company	671.32	767.29	-95.97	-12.51%

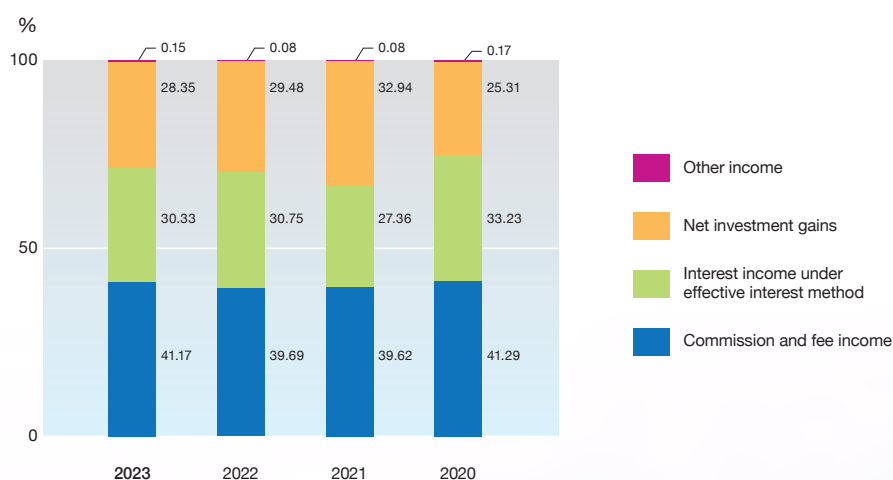
## Section 4 Report of the Board

### Revenue structure

During the Reporting Period, total revenue, net investment gains and other income of the Group amounted to RMB4,385.57 million, representing a year-on-year increase of 11.59%, among which, 41.17% was generated from commission and fee income, representing a year-on-year increase of 1.48 percentage points; 30.33% was generated from interest income under effective interest method, representing a year-on-year decrease of 0.42 percentage point; 28.35% was generated from net investment gains, representing a year-on-year decrease of 1.13 percentage points. The revenue structure of the Group in the past four years is as follows:

Percentage	2023	2022	2021	2020
Commission and fee income	41.17%	39.69%	39.62%	41.29%
Interest income under effective interest method	30.33%	30.75%	27.36%	33.23%
Net investment gains	28.35%	29.48%	32.94%	25.31%
Other income	0.15%	0.08%	0.08%	0.17%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The bar chart below shows the structure comparison:



Facing the complicated and acute market environment, the Company vigorously implemented the “forging of strengths (鑄長板)” of business and strategic mergers and acquisitions, maintained a steady and rapid development trend, whereby the overall business layout has become more reasonable, diversified and stable.

## Section 4 Report of the Board

### *Commission and fee income*

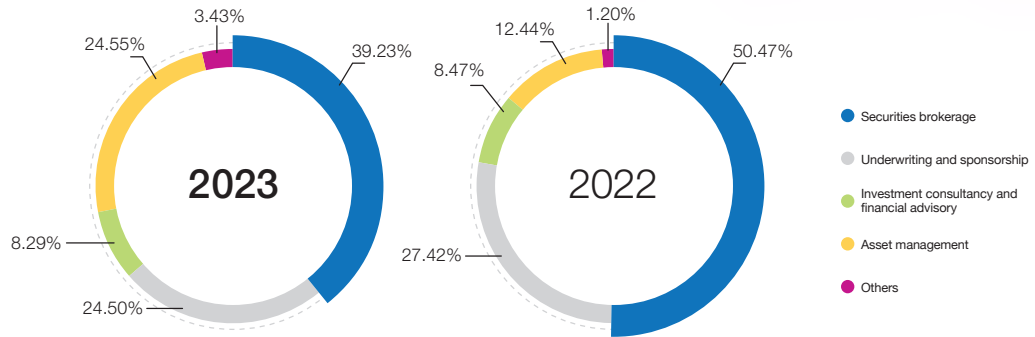
During the Reporting Period, the composition of the Group's commission and fee income was as follows:

Unit: in RMB million

Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Commission and fee income				
Securities brokerage	708.27	787.26	-78.99	-10.03%
Underwriting and sponsorship	442.21	427.77	14.44	3.38%
Investment consultancy and financial advisory	149.70	132.20	17.50	13.24%
Asset management	443.13	194.02	249.11	128.39%
Others	61.98	18.69	43.29	231.62%
Total commission and fee income	1,805.29	1,559.94	245.35	15.73%
Commission and fee expenses	251.12	262.39	-11.27	-4.30%
Net commission and fee income	1,554.17	1,297.55	256.62	19.78%

## Section 4 Report of the Board

The Group's commission and fee income consists of:



During the Reporting Period, commission and fee income of the Group amounted to RMB1,805.29 million, representing a year-on-year increase of 15.73%, with significant growth in income from asset management.

The Company grasped the strategic industry development opportunities and successfully acquired the 75.50% equity interests in ZhongRong Fund (Note: On 1 August 2023, upon the approval of Shenzhen Administration of Market Regulation, the name of ZhongRong Fund Management Company Limited was changed to “Guolian Fund Management Company Limited”), quickly acquired a mature public-offered fund licence, further improved its product and service system and effectively enhanced its comprehensive financial service capability, with income from the asset management business increased by RMB249.11 million or 128.39% year-on-year.

Under the market situation where the number and scale of equity financing issues were declining, the Company seized the opportunities presented by the Beijing Stock Exchange for its equity business, completing 6 equity projects. The bond business continued to expand, with the number, scale and income of underwriting hitting a new record high, and the underwriting and sponsorship income from investment banking business increased by RMB14.44 million or 3.38% year-on-year. The Company adhered to customer-focused measures and continued to upgrade its fund investment advisory business model, strengthened business synergies, and provided quality financial advisory services, with income from investment consultancy and financial advisory increasing by RMB17.50 million or 13.24% year-on-year.

In 2023, the securities market became inactive, the average daily turnover of stocks and funds of the Shanghai, Shenzhen and Beijing markets for the year declined year-on-year, and the commission and fee income generated from securities brokerage business decreased by RMB78.99 million or 10.03% year-on-year.

## Section 4 Report of the Board

### *Interest income under effective interest method*

During the Reporting Period, net interest income of the Group amounted to RMB81.46 million, representing a year-on-year decrease of 32.50%. The composition of the Group's interest income under effective interest method for 2023 was as follows:

Unit: in RMB million

Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Interest income under effective interest method				
Interest income from bank deposits	331.43	296.46	34.97	11.80%
Interest income from financial assets held under resale agreements	181.45	147.62	33.83	22.92%
Interest income from margin financing	557.85	579.34	-21.49	-3.71%
Interest income from debt instruments at fair value through other comprehensive income	259.54	185.11	74.43	40.21%
Total interest income under effective interest method	1,330.28	1,208.54	121.74	10.07%
Interest expenses	1,248.82	1,087.85	160.97	14.80%
Net interest income	81.46	120.69	-39.23	-32.50%

The Company strictly controlled credit risk and adhered to the philosophy of prudent investment, whereby the interest income from debt instruments at fair value through other comprehensive income increased by RMB74.43 million or 40.21% year-on-year.

## Section 4 Report of the Board

The Company seized market opportunities and significantly increased the scale of bond pledged repurchase, whereby the interest income from financial assets held under resale agreements increased by RMB33.83 million or 22.92% year-on-year.

The Company gave full support to business development and the expansion of financing channels, whereby the interest expenses increased by RMB160.97 million or 14.80% year-on-year.

### *Net investment gains*

During the Reporting Period, the net investment gains of the Group amounted to RMB1,243.46 million, representing a year-on-year increase of 7.31%. The composition of the Group's net investment gains for 2023 was as follows:

Unit: in RMB million

Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Realised gains from disposal of financial assets at fair value through profit or loss	357.28	503.53	-146.25	-29.04%
Realised losses from disposal of financial liabilities at fair value through profit or loss	-0.31	-60.95	60.64	-
Realised gains from disposal of financial assets at fair value through other comprehensive income	10.06	51.22	-41.16	-80.36%
Dividend income from equity instruments at fair value through other comprehensive income	308.54	278.99	29.55	10.59%
Distribution to interest holders of consolidated SEs	0.01	-4.58	4.59	-
Interest income from financial assets at fair value through profit or loss	704.22	658.63	45.59	6.92%



## Section 4 Report of the Board

Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Dividends from financial assets at fair value through profit or loss	66.44	35.81	30.63	85.53%
Net realised losses from derivative financial instruments	-879.79	-724.11	-155.68	–
Unrealised fair value change of financial instruments at fair value through profit or loss				
– Financial assets at fair value through profit or loss	-228.16	100.68	-328.84	–
– Derivative financial instruments	945.66	229.76	715.90	311.59%
– Financial liabilities at fair value through profit or loss	-40.49	89.74	-130.23	–
<b>Total</b>	<b>1,243.46</b>	<b>1,158.72</b>	<b>84.74</b>	<b>7.31%</b>

## Section 4 Report of the Board

### Operating expenses

During the Reporting Period, operating expenses of the Group (excluding commission and fee expenses and interest expenses) amounted to RMB2,143.66 million, representing a year-on-year increase of 29.14%. The composition of the Group's operating expenses was as follows:

Unit: in RMB million

Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Operating expenses				
Staff costs	1,377.07	1,105.45	271.62	24.57%
Depreciation and amortization	270.53	191.99	78.54	40.91%
Other operating expenses	524.65	359.91	164.74	45.77%
Impairment losses under expected credit loss model, net of reversal	-28.60	2.66	-31.26	-
<b>Total</b>	<b>2,143.66</b>	<b>1,660.00</b>	<b>483.66</b>	<b>29.14%</b>

The Company successfully acquired its controlling subsidiary, Guolian Fund, while strengthening its business transformation and actively expanding its business, with a year-on-year increase in operating expenses.

The impairment losses under expected credit loss model, net of reversal of the Group was RMB-28.60 million, details of which are as follows:

Unit: in RMB million

Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Impairment losses under expected credit loss model, net of reversal				
Margin accounts receivable	-3.22	2.38	-5.60	-
Financial assets held under resale agreements	-11.90	-7.19	-4.71	-
Accounts receivable and other receivables	0.67	0.01	0.66	6,600.00%
Debt instruments at fair value through other comprehensive income	-14.14	7.46	-21.60	-
<b>Total</b>	<b>-28.60</b>	<b>2.66</b>	<b>-31.26</b>	<b>-</b>

## Section 4 Report of the Board

### (2) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB87,128.87 million, representing a year-on-year increase of RMB12,746.87 million or 17.14%.

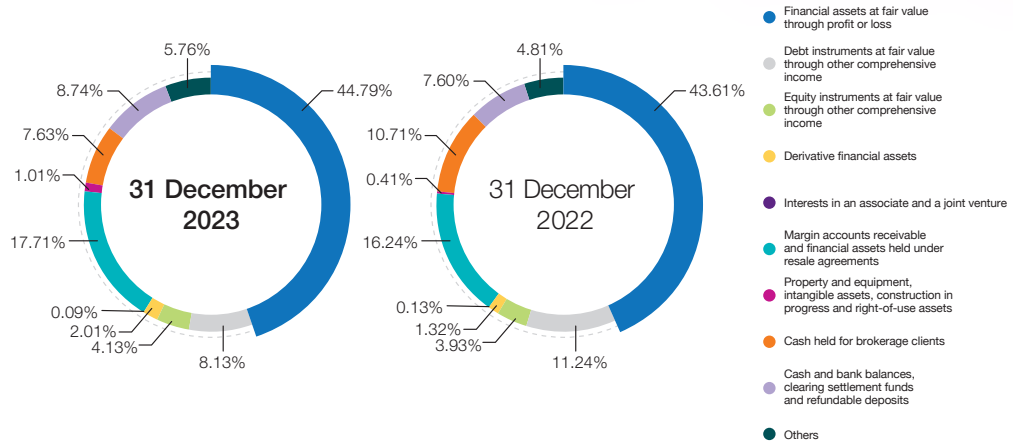
Changes in the Group's assets items are as follows:

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ decrease	Growth rate year-on-year
<b>Assets</b>				
Financial assets at fair value through profit or loss	39,027.24	32,435.84	6,591.40	20.32%
Debt instruments at fair value through other comprehensive income	7,083.36	8,363.29	-1,279.93	-15.30%
Equity instruments at fair value through other comprehensive income	3,600.40	2,926.19	674.21	23.04%
Derivative financial assets	1,747.24	979.88	767.36	78.31%
Interests in an associate and a joint venture	75.78	96.81	-21.03	-21.72%
Margin accounts receivable and financial assets held under resale agreements	15,433.58	12,079.49	3,354.09	27.77%
Property and equipment, intangible assets, construction in progress and right-of-use assets	883.10	305.41	577.69	189.15%
Cash held for brokerage clients	6,650.43	7,964.94	-1,314.51	-16.50%
Cash and bank balances, clearing settlement funds and refundable deposits	7,610.64	5,654.83	1,955.81	34.59%
Others	5,017.10	3,575.32	1,441.78	40.33%
<b>Total</b>	<b>87,128.87</b>	<b>74,382.00</b>	<b>12,746.87</b>	<b>17.14%</b>

## Section 4 Report of the Board

The composition of the Group' total assets:



### Investments

The Group's investments consist of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, interests in an associate and a joint venture and derivative financial assets.

During the Reporting Period, the Group has all along been taking absolute return as its target, deepening product innovation and forming a multi-category and multi-strategy regime, with a view to steadily expanding its business while taking into account both risk and return. As at the end of the Reporting Period, the Group's total investments amounted to RMB51,534.02 million, representing a year-on-year increase of RMB6,732.01 million or 15.03%. The percentage of total investments to total assets was 59.15%, representing a year-on-year decrease of 1.08 percentage points.

### Margin financing

The Group's margin financing assets consist of margin accounts receivable and financial assets held under resale agreements.

## Section 4 Report of the Board

The Group optimised its business segments and service system, continuously improved the construction of its marketing system, made in-depth efforts to cultivate high-net-worth customers and professional investors, resulting in a year-on-year increase in the period-end scale of margin accounts receivable as at the end of the Reporting Period. The Group seized the market opportunities and saw a significant increase in the scale of bond pledged repurchase, with the margin financing assets amounting to RMB15,433.58 million as at the end of the Reporting Period, representing a year-on-year increase of RMB3,354.09 million or 27.77%, and accounting for 17.71% of the Group's total assets.

*Property and equipment, intangible assets, construction in progress and right-of-use assets*

As at the end of the Reporting Period, as a result of the strategic acquisition of Guolian Fund, the Group's property and equipment, intangible assets, construction in progress and right-of-use assets amounted to RMB883.10 million, representing a year-on-year increase of RMB577.69 million or 189.15%, and accounting for 1.01% of the Group's total assets.

### (3) Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB69,005.32 million, representing a year-on-year increase of RMB11,383.88 million or 19.76%.

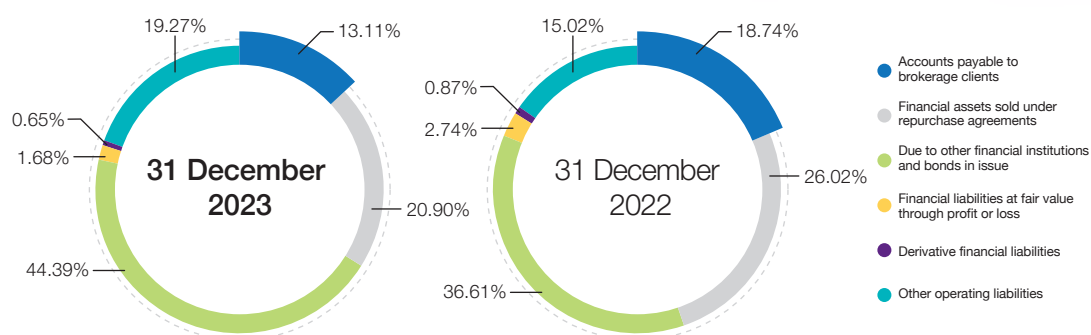
Changes in the Group's liabilities items are as follows:

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ decrease	Growth rate year-on-year
<b>Liabilities</b>				
Accounts payable to brokerage clients	9,046.10	10,797.28	-1,751.18	-16.22%
Financial assets sold under repurchase agreements	14,421.56	14,992.68	-571.12	-3.81%
Due to other financial institutions and bonds in issue	30,632.09	21,094.51	9,537.58	45.21%
Financial liabilities at fair value through profit or loss	1,162.75	1,578.98	-416.23	-26.36%
Derivative financial liabilities	447.64	501.08	-53.44	-10.66%
Other operating liabilities	13,295.18	8,656.91	4,638.27	53.58%
<b>Total</b>	<b>69,005.32</b>	<b>57,621.44</b>	<b>11,383.88</b>	<b>19.76%</b>

## Section 4 Report of the Board

The composition of the Group's total liabilities:



As at the end of the Reporting Period, due to the impact of the market environment, the accounts payable to brokerage clients of the Group amounted to RMB9,046.10 million, representing a year-on-year decrease of RMB1,751.18 million or 16.22%, and accounting for 13.11% of the Group's total liabilities.

As at the end of the Reporting Period, in order to support the Company's business development, the due to other financial institutions and bonds in issue of the Group amounted to RMB30,632.09 million, representing a year-on-year increase of RMB9,537.58 million or 45.21%, and accounting for 44.39% of the Group's total liabilities. The composition of the Group's due to other financial institutions and bonds in issue was as follows:

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ decrease	Growth rate year-on-year
<b>Due to other financial institutions and bonds in issue</b>				
Due to other financial institutions	5,314.01	900.22	4,413.79	490.30%
Bonds in issue	25,318.08	20,194.29	5,123.79	25.37%
<b>Total</b>	<b>30,632.09</b>	<b>21,094.51</b>	<b>9,537.58</b>	<b>45.21%</b>

## Section 4 Report of the Board

As at the end of the Reporting Period, the other operating liabilities of the Group amounted to RMB13,295.18 million, representing a year-on-year increase of RMB4,638.27 million or 53.58%, and accounting for 19.27% of the Group's total liabilities, which was mainly attributable to the year-on-year increase of 48.65% in margin deposits of derivative contracts. The composition of the Group's other operating liabilities was as follows:

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ decrease	Growth rate year-on-year
<b>Other operating liabilities</b>				
Salaries, bonus, allowances and benefits payable	492.48	440.29	52.19	11.85%
Lease liabilities	230.08	160.18	69.90	43.64%
Deferred tax liabilities	658.11	201.17	456.94	227.14%
Other current liabilities and other non-current liabilities	11,914.51	7,855.27	4,059.24	51.68%
<b>Total</b>	<b>13,295.18</b>	<b>8,656.91</b>	<b>4,638.27</b>	<b>53.58%</b>

### (4) Equity

As at the end of the Reporting Period, total equity of the Group amounted to RMB18,123.56 million, representing a year-on-year increase of RMB1,363.01 million or 8.13%, which was mainly attributable to the accumulation of operations and the acquisition of Guolian Fund. The Equity attributable to shareholders of the Company amounted to RMB17,768.69 million, representing a year-on-year increase of RMB1,008.14 million or 6.01%. The following table sets forth the composition of the Group's equity as at the dates indicated:

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ decrease	Growth rate year-on-year
Share capital	2,831.77	2,831.77	0.00	0.00%
Share premium	8,189.05	8,189.05	0.00	0.00%
Reserves	3,062.91	2,532.68	530.23	20.94%
Retained earnings	3,684.96	3,207.06	477.90	14.90%
Equity attributable to shareholders of the Company	17,768.69	16,760.55	1,008.14	6.01%
Non-controlling interest	354.87	0.00	354.87	–
<b>Total</b>	<b>18,123.56</b>	<b>16,760.55</b>	<b>1,363.01</b>	<b>8.13%</b>

## Section 4 Report of the Board

### (5) Segment results

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

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

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

	2023 (in RMB million)	Percentage %	2022 (in RMB million)	Percentage %
Brokerage and wealth management	969.02	22.09	1,048.37	26.67
Credit transaction	718.39	16.38	724.78	18.44
Investment banking	543.25	12.39	526.14	13.39
Proprietary trading	1,374.10	31.33	1,155.05	29.39
Asset management and investment	470.42	10.73	196.78	5.01
Other business	331.53	7.56	295.41	7.52
Elimination	-21.14	-0.48	-16.41	-0.42
Total	4,385.57	100.00	3,930.13	100.0



## Section 4 Report of the Board

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

	2023 (in RMB million)	Percentage (%)	2022 (in RMB million)	Percentage (%)
Brokerage and wealth management	887.73	24.36	845.47	28.08
Credit transaction	395.01	10.84	425.56	14.14
Investment banking	482.35	13.24	403.29	13.40
Proprietary trading	800.52	21.97	625.53	20.78
Asset management and investment	382.18	10.49	104.49	3.47
Other business	709.18	19.47	606.87	20.16
Elimination	-13.38	-0.37	-0.95	-0.03
<b>Total</b>	<b>3,643.60</b>	<b>100.00</b>	<b>3,010.25</b>	<b>100.00</b>

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

	2023 (in RMB million)	Percentage (%)	2022 (in RMB million)	Percentage (%)
Brokerage and wealth management	84.95	10.29	207.05	21.45
Credit transaction	323.38	39.18	299.22	30.99
Investment banking	64.35	7.80	123.76	12.82
Proprietary trading	573.83	69.52	529.88	54.88
Asset management and investment	101.45	12.29	92.31	9.56
Other business	-314.78	-38.14	-271.33	-28.10
Elimination	-7.76	-0.94	-15.46	-1.60
<b>Total</b>	<b>825.42</b>	<b>100.00</b>	<b>965.43</b>	<b>100.00</b>

### (IV) Changes in Branches and Subsidiaries and Their Impact on Results

#### 1. Branches

##### (1) Establishment and Changes of Securities Branches

###### 1 Newly-established Securities Branches

During the Reporting Period, the Company established two new branches, namely Hangzhou Jiangnan Road Securities Branch (杭州江漢路證券營業部) and Jinan Aoti West Road Securities Branch (濟南奧體西路證券營業部), respectively.

###### 2 Relocation of Securities Branches

The Company constantly adjusts and optimizes its branch network. During the Reporting Period, the relocations of Nantong Gongnong Road Securities Branch (南通工農路證券營業部), Beijing Nongda South Road Securities Branch (北京農大南路證券營業部), Changsha Furong Middle Road Securities Branch (長沙芙蓉中路證券營業部), Wuhan Xinhua Road Securities Branch (武漢新華路證券營業部), Suzhou Nantiancheng Road Securities Branch (蘇州南天成路證券營業部), Yixing Jiefang East Road Securities Branch (宜興解放東路證券營業部), Xuzhou Huancheng Road Securities Branch (徐州環城路證券營業部), Yixing Gaocheng Town Zhenxing Road Securities Branch (宜興高塍鎮振興路證券營業部), Yixing Guanlin Town Guanxin Street Securities Branch (宜興官林鎮官新街證券營業部), Wuxi Liangxi Road Securities Branch (無錫梁溪路證券營業部), Guangzhou Huacheng Avenue Securities Branch (廣州花城大道證券營業部), Hangzhou Feiyunjiang Road Securities Branch (杭州飛雲江路證券營業部) and Wuxi Anzhen Xidong Avenue Securities Branch (無錫安鎮錫東大道證券營業部) within the same city were completed.

###### 3 De-registration of Securities Branches

During the Reporting Period, the Company de-registered three branches, namely Jiangyin Changjing Hongqiao North Road Securities Branch (江陰長涇虹橋北路證券營業部), Jiangyin Qingyang Fuqian Road Securities Branch (江陰青陽府前路證券營業部) and Shanghai Guangdong Road Securities Branch (上海廣東路證券營業部), respectively.

## Section 4 Report of the Board

### (2) *Establishment and Changes of Branch Offices*

#### 1 *Establishment of Branch Offices*

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

#### 2 *Relocation of Branch Offices*

The Company constantly adjusts and optimizes its branch offices layout. During the Reporting Period, the relocations of Nanjing Branch Office (南京分公司), Zhejiang Branch Office (浙江分公司) and Central Jiangsu Branch Office (蘇中分公司) within the same city were completed.

#### 3 *De-registration of Branch Offices*

During the Reporting Period, the Company did not de-register any branch office.

### 2. **Subsidiaries**

During the Reporting Period, the Company established a new subsidiary, Guolian Fund, details of which are set out in “(V) Major Investment and Financing Activities” under this section.

### 3. **Impact on Results**

For the impact of the above matters on the Company’s results during the Reporting Period, please refer to the consolidated statement of changes in equity and note 60 to this report.

## (V) **Major Investment and Financing Activities**

### 1. **Equity Financing**

The issuance of A Shares to specific subscribers by the Company is set out in “V. Issuance of Shares and Use of Proceeds” under this section.

### 2. Debt Financing

In 2023, the cumulative additional credit debt financing amount of the Company (excluding inter-bank borrowing transactions and issued floating-income type income certificates) was RMB17.856 billion, and the cumulative principal repayment of debt financing matured amounted to RMB13.236 billion. The remaining principal amount of outstanding debt financing of the Company as at 31 December 2023 was RMB24.875 billion. In addition, there was an outstanding inter-bank credit borrowing of RMB5.313 billion.

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

- (1). The new public issuance of corporate bonds to professional investors was RMB3.9 billion during the Reporting Period, with the principal of RMB1.5 billion being repaid. The outstanding public issuance of corporate bonds to professional investors as at 31 December 2023 was RMB12.5 billion, the particulars of the remaining amounts were as follows:

Financing Items	Amount (In RMB			
	ten thousand)	Financing Date	Maturity Date	Term (Days)
Public issuance of corporate	100,000	2021/3/15	2024/3/15	1,096
bonds to professional investors	150,000	2021/5/12	2024/5/12	1,096
	100,000	2021/6/28	2024/6/28	1,096
	100,000	2021/8/30	2024/8/30	1,096
	100,000	2022/3/23	2027/3/23	1,825
	100,000	2022/4/28	2027/4/28	1,825
	110,000	2022/6/7	2025/6/7	1,095
	100,000	2022/11/11	2025/11/11	1,095
	260,000	2023/2/9	2024/12/9	669
	130,000	2023/4/25	2026/3/18	1,058

## Section 4 Report of the Board

- (2). The new private issuance of corporate bonds was RMB5.0 billion during the Reporting Period, with the principal of RMB3.3 billion being repaid. The outstanding private issuance of corporate bonds as at 31 December 2023 were RMB7.5 billion, the particulars of the remaining amounts were as follows:

Financing Items	Amount (In RMB			
	ten thousand)	Financing Date	Maturity Date	Term (Days)
Private issuance of corporate bonds	150,000	2021/11/22	2024/11/22	1,096
	100,000	2022/1/24	2025/1/24	1,096
	200,000	2023/8/25	2026/8/25	1,095
	300,000	2023/10/20	2026/10/20	1,095

- (3). The principal of private issuance of subordinated bonds of RMB0.7 billion was repaid during the Reporting Period, with the remaining amount of nil.

- (4). The new public issuance of subordinated bonds was RMB2.0 billion during the Reporting Period. The outstanding subordinated bonds as at 31 December 2023 was RMB4.5 billion, the particulars of the remaining amounts were as follows:

Financing Items	Amount (In RMB			
	ten thousand)	Financing Date	Maturity Date	Term (Days)
Public issuance of subordinated bonds	100,000	2022/2/24	2025/2/24	1,096
	150,000	2022/8/11	2025/8/11	1,096
	100,000	2023/4/17	2026/4/17	1,096
	100,000	2023/7/21	2026/7/21	1,095

## Section 4 Report of the Board

- (5). The new public issuance of short-term corporate bonds to professional investors was RMB3.0 billion during the Reporting Period, with the principal of RMB3.0 billion being repaid. The remaining amount of the outstanding short-term corporate bonds as at 31 December 2023 was nil.
- (6). The new issuing amounts of fixed-income type income certificates were RMB2.566 billion during the Reporting Period, with the principal of RMB2.896 billion being repaid. The remaining amount of the outstanding fixed-income type income certificates as at 31 December 2023 were RMB375 million, the particulars of the remaining amount were as follows:

Financing Items	Amount (In RMB			
	ten thousand)	Financing Date	Maturity Date	Term (Days)
Income certificates –	10,000	2023/2/9	2024/2/7	363
fixed-income type	5,000	2023/2/10	2024/2/18	374
	1,000	2023/2/10	2024/2/18	374
	1,000	2023/2/14	2024/2/18	370
	1,000	2023/2/14	2024/2/18	370
	2,000	2023/2/21	2024/2/20	365
	4,000	2023/2/23	2024/2/21	364
	6,000	2023/2/24	2024/2/21	363
	1,500	2023/8/18	2024/8/19	368
	1,000	2023/11/2	2024/11/3	368
	1,000	2023/11/29	2024/2/28	92
	1,000	2023/12/21	2024/3/19	90
	1,000	2023/12/27	2024/6/26	183
	2,000	2023/12/29	2024/3/29	91

- (7). The additional refinancing was RMB1.39 billion during the Reporting Period, with the principal of RMB1.84 billion being repaid. The remaining amount was nil.

## Section 4 Report of the Board

### 3. Equity Investment

On 14 February 2023, the Company entered into the Equity Transfer Agreement Regarding ZhongRong Fund Management Company Limited (《關於中融基金管理有限公司的股權轉讓協議》) with Shanghai Rongsheng Investment Co., Ltd. (hereinafter referred to as “Shanghai Rongsheng”) to acquire 24.5% of the 49% equity interests in ZhongRong Fund held by Shanghai Rongsheng at a price of RMB722,408,544. On 16 February 2023, the Company acquired the 51% equity interests in ZhongRong Fund held by Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) (hereinafter referred to as “Zhongrong Trust”) through bidding. The bidding transaction price was RMB1,503,789,213. The Company signed the Property Rights Transaction Contract (《產權交易合同》) and the Supplementary Contract to the Property Rights Transaction Contract (《產權交易合同之補充合同》) with Zhongrong Trust. The equity transfer of the above transactions has been completed, and ZhongRong Fund has been renamed as Guolian Fund, in which the Company holds 75.5% equity interests.

### (VI) Disposal of Material Assets, Acquisition, Replacement and Reorganization of Other Companies

During the Reporting Period, save as those disclosed in this report, the Company did not carry out any disposal of material assets, acquisition, replacement, spin-off and reorganization of other companies.

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

### (I) Industry layout and trend

In 2023, the global economy was under pressure due to the FED's interest rate hikes and also geopolitical conflicts. As we enter 2024, the global economy may still face greater challenges. Inflation in the United States has basically come to an end with the FED announcing a halt of raising interest rates and other major economies are entering into the latter stages of inflation. However, global total demand is weakening, the problem of structural undersupply still exists, and differentiation between different countries and regions is also increasing, as a result, global economic growth is characterised by imbalance and regional differentiation is worsening. In 2023, the domestic economy recovered in twists and turns, and overall pressure was relatively high. Looking ahead into 2024, with the shift in monetary policies of major overseas economies, China's monetary policies will enjoy more room for opening up. At the Central Economic Work Conference held at the end of 2023, the Party Central Committee put forward the policy of "promoting stability through progress", hence facilitating growth will be the main theme of economic work in 2024.

In October 2023, the Central Financial Work Conference proposed "to accelerate the construction of a strong financial nation as the goal" and clarified "the theme of promoting high-quality financial development", aiming to use high-quality financial development to support the construction of a strong nation and the great cause of national rejuvenation. In this context, the securities industry has been focusing on giving priority to the development of technology finance, green finance, inclusive finance, pension finance, and digital finance and promoting the restructuring and upgrading of the real economy with its professional capabilities. The central government has reiterated its emphasis on enhancing people-centric finance. The focus of capital market reform has shifted from the financing aspect to the investment one, with various authorities such as the CSRC and Ministry of Finance introducing favorable policies successively to guide long-term capital into the market, potentially attracting incremental institutional capital to the market. The reform of the relevant rates for public-offered funds and securities companies will enhance residents' sense of participation in the capital market and propel a healthier and more benign development of the capital market. Simultaneously, the regulatory authorities require a reasonable grasp of the IPO and refinancing rhythm, aiming to improve the counter-cyclical adjustment mechanism of the primary and secondary markets, solidify the quality of listed companies, and boost investment confidence from the source. Opinions are sought on the calculation standards for securities brokers' risk control indicators, which will guide the industry to adhere to prudent operation, embark on a new path of capital-saving and high-quality development, and help premier securities brokers to optimize capital utilization efficiency and fully play their role in serving the real economy financing, among other functions.



## Section 4 Report of the Board

From the perspective of the competitive layout of the securities industry, the advantages of top-tier securities firms are becoming increasingly apparent. In recent years, the net profit growth rate of top-tier securities firms has been significantly higher than the industry average, and the overall net profit of top-tier securities firms is less volatile, making them more capable of traversing the cycles of profitability. In October 2023, the Central Financial Work Conference clearly proposed “to foster first-class investment banks and investment institutions”. the CSRC also proposed “to support top-tier securities firms to become better and stronger through business innovation, group operation, mergers and acquisitions, and restructuring, aiming to build first-class investment banks”. A new round of top-down supply-side reform of the securities industry has begun, and the industry landscape will accelerate its evolution. In terms of industry development, the CSRC proposed that small and medium-sized institutions should be guided to refine and specialize their operations by integrating their shareholders’ backgrounds, regional advantages, and other resource endowments and professional capabilities to achieve distinctive and differentiated development. Regional securities brokers are expected to gain more business opportunities.

### (II) Corporate development strategy

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

### (III) Business plans

In 2024, the Company’s general business philosophy will be: focusing on serving the high-quality development of the economy and society, efforts will be made to push forward the strategy of “forging of strengths (鑄長板)” and create more first-class products and services in niche areas; deepening the transformation of wealth management, establishing and improving a buyer-side investment advisory service regime centred on asset deployment to practise the people’s nature of financial work by maintaining and increasing the value of clients’ assets; improving the core capabilities and service capabilities of investment research, optimizing strategies and channel layout, further expanding the management scale of asset management subsidiaries and Guolian Fund, and shaping the brand of active management; creating a number of high-quality and distinctive investment banking projects, and striving to form influence in some sub-segments; actively applying for new sub-business licences to improve the diversification and anti-cyclical capabilities of financial market business; strengthening vertical and uniform management of compliance and risk to lay a solid foundation for sustained and stable development; improving independent IT research and development capabilities and exploring the application scenarios of AI and large models in business and daily operations; building a refined and scientific human resources management system based on market leading institutions.

### (IV) Capital needs

During the Reporting Period, the Company's various businesses continued to develop steadily, and the overall interest payment cost showed a downward trend. In future, the Company will continue to improve its overall capital deployment efficiency and keep on exploring new financing products and models and expand financing channels to ensure the capital needs of business development. It will also arrange the size and structure of liabilities scientifically, maintain a reasonable and sound leverage level and strengthen risk awareness to prevent liquidity risks and ensure liquidity security.

### (V) Analysis of competitiveness

#### 1. Unique Regional Advantages

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

## Section 4 Report of the Board

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

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

### 3. **Management Team with Extensive Industry Experience**

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

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

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

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

### III. Risk Management

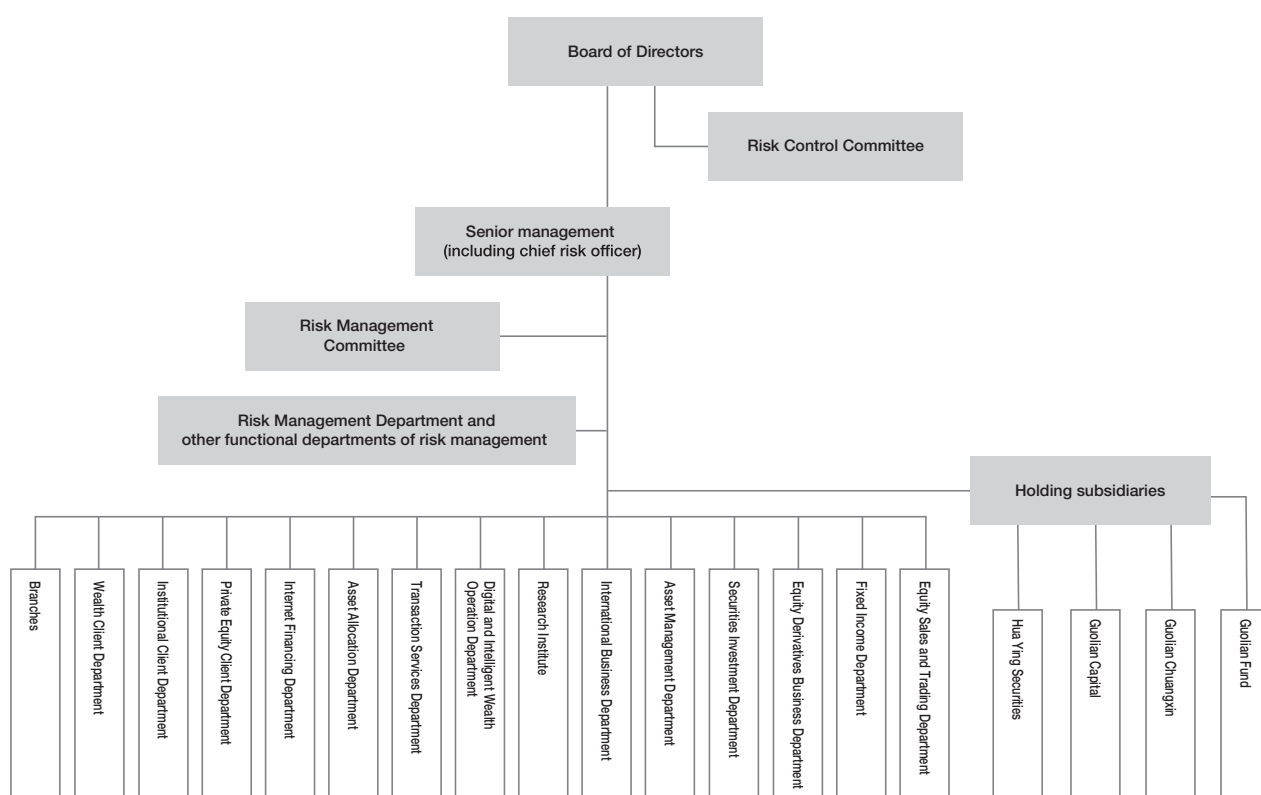
#### (I) General Description

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

## Section 4 Report of the Board

### (II) Risk Management Organizational Structure of the Company

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



## Section 4 Report of the Board

### 1. Board of Directors and Risk Control Committee

The Board of Directors is the highest decision-making body of the risk management of the Company and has the ultimate responsibility for its risk management. The Board of Directors is mainly responsible for the following duties: considering and approving the overall objectives of the risk management of the Company and the basic system of comprehensive risk management in respect of major issues of its risk management, such as risk preference, risk tolerance, significant risk limit, etc.; appointing chief risk officer; considering the regular risk management reports of the Company and their implementation; and advancing the construction of risk culture of the Company to ensure that the Company establishes and maintains an effective risk management regime and system. The Board of Directors may delegate the Risk Control Committee set up under it to fulfill part of its function of comprehensive risk management.

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

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

- (1) establish a risk management system and make timely adjustment;
- (2) establish and perfect the operation management structure for the Company's comprehensive risk management, clarify the duty allocation of risk management among various departments, and establish a working mechanism that features effective checking and balance and good coordination among the departments;
- (3) establish a complete information technology system and data quality control mechanism;
- (4) establish a performance assessment system for all staff that covers the effectiveness of risk management;
- (5) formulate the specific execution plans for risk management according to the risk preference, risk tolerance extent and significant risk limit approved by the Board and ensure the effective implementation of the plans;
- (6) regularly assess the overall risk of the Company and various types of material risk management conditions, resolve problems that are found in risk management and report to the Board.

## Section 4 Report of the Board

The Company establishes a Risk Management Committee under the senior management, which is responsible for the overall risk management within the scope of authorization of the Board and management, development and adjustment of the Company's risk management policy, approval of various risk limits, and making decisions and approvals for important matters involving risk management.

The Company has a chief risk officer who is responsible for coordinating the overall risk management and is appointed by the Board as a full-time officer. The main responsibilities of the chief risk officer include:

- (1) organize and implement the overall risk management work of the Company;
- (2) review and approve the Company's risk management plan and risk measurement methods, models and indicators;
- (3) organize the formulation of the Company's internal risk management system and policies, and evaluate major market, credit, liquidity, reputation and other risks;
- (4) organize investigation and inquiry for hidden risks existing in business operation and management activities; report major hidden risks discovered to the president of the Company in a timely manner, and put forward rectification opinions to the person-in-charge of other relevant departments; possesses the authority to report to the Board and its Risk Control Committee or the chairman of the Supervisory Committee had the major hidden risks or the rectification of hidden risks fails to meet the standards.

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

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

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

As a dedicated department to organize and implement the Company's overall risk management, the Risk Management Department promotes overall risk management under the leadership of the chief risk officer, monitors, evaluates and reports on the Company's overall risk standard, makes recommendations to optimize the Company's risk resources allocation and provides risk management suggestions for business decisions. It assists the Company's Risk Management Committee in setting risk limits and other risk management indicators, monitors and reports on the implementation of risk limits and other risk management indicators. It also assists, guides and inspects the risk management of all departments, branches and subsidiaries.



## Section 4 Report of the Board

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

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

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

#### 1. Market Risk

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

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

The Company conducts comprehensive monitoring of market risks by calculating profit and losses, exposure, basis points, duration, Greek letters of derivatives and other indicators on a daily basis, continuously improves the VAR and stress test measurement mechanisms to monitor and analyze potential losses of the Company, and continuously optimizes the profit and loss analysis and option profit and loss attribution of swap businesses to enhance the sensitivity of risk management.

### 2. Credit Risk

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

The Company has assessed the credit ratings of counterparties or issuers through its internal credit rating system, measured its risk with methods such as stress tests and sensitivity analyses, and managed credit risks using access and concentration limits. Meanwhile, leveraging public opinion data and market tracking, the Company monitors changes in credit risk qualifications of various businesses and transaction counterparties in a timely manner, strengthens sensitivity management, and promptly addresses pre-warning and reporting measures. The Company has established a credit risk management system to measure and manage credit risk.

### 3. Liquidity Risk

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

The Company establishes a daily position management and regular liquidity analysis mechanism to dynamically manage the scale of capital usage of each business, and formulates corresponding financing plans to improve the daily control mechanism of liquidity risk by improving liquidity contingency plans and stress tests. The Company implements liquidity risk limit management and sets liquidity risk limits to monitor their implementation based on factors such as business scale, nature, liquidity risk appetite and market conditions. In addition, the Company has also established a liquidity reserve asset management system to meet potential capital needs by holding sufficient high-quality liquid assets that can be readily realized.

## Section 4 Report of the Board

### 4. Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or problematic internal procedures, personnel and information technology systems, as well as external events.

The Company continuously optimizes the internal control mechanism, carries out targeted identification and effectiveness assessment on operational risk, and standardizes business processes through continuous business assessment, business process rationalizing and system review to prevent risks from occurring. It also continuously collects and sorts out internal and external risk events to supplement operational risk event database. At the same time, the Company has established an operational risk management system to realize the systematic control of the three major tools of operational risks. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, assessment and enhances the risk awareness of employees through the promotion of risk control culture. It also improves emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby preventing the operational risk caused by information system failure.

### 5. Compliance Risk

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

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

### 6. Reputation Risk

Reputation risk refers to the risk of negative comments on the Company by investors, issuers, regulatory authorities, self-regulatory organizations, the public and the media due to the Company's operations or external events, and its employees' violation of integrity regulations, professional ethics, business norms, industrial standards and regulations and other related behaviors, thereby damaging corporate brand value which is detrimental to its normal operation and even affect market stability and social stability.

The Company strengthens the concept of preventing and controlling reputation risk is the responsibility of every staff, forms an effective segregation of duties, establishes and improves the internal restraint mechanism, public opinion monitoring mechanism, emergency response mechanism, and external information release mechanism, reinforces daily public opinion analysis, and improves the risk prevention and control prospectively and pertinently, and takes multiple measures to enhance the prevention awareness and management standard of reputation risk.

### IV. Profit Distribution Policies and Profit Distribution Situation

#### (I) Profit Distribution Policies

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

#### (II) Profit Distribution Situation

##### Profit Distribution for the Year 2022

The Profit Distribution Plan for the Year 2022 of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2022年度利潤分配方案》) was considered and approved at the annual general meeting for the year 2022 of the Company convened on 23 May 2023, and the Company did not implement any profit distribution for the year 2022.

##### Profit Distribution Proposal for the Year 2023

The audited net profit of the parent company in 2023 was RMB587,568,168.76. According to the relevant requirements of the Company Law, Securities Law, Financial Rules for Financial Enterprises and Articles of Association, after appropriating statutory provident fund and general risk reserve totaling RMB181,509,357.55, the profit available for distribution for the year amounted to RMB406,058,811.21. The balance of the undistributed profit was RMB2,968,450,213.47 in previous year and decreased RMB11,907,462.61 of undistributed profit upon the disposal of investments in other equity instruments, and the accumulated undistributed profit for this year was RMB3,362,601,562.07.

With a comprehensive consideration of factors including the long-term development of the Company and the interests of the Shareholders, the Company's profit distribution plan for the year 2023 is as follows: based on the total share capital of 2,831,773,168 shares as at the end of 2023, a cash dividend of RMB1.42 (tax inclusive) per 10 shares will be distributed to all shareholders, with total cash dividends of RMB402,111,789.86, and the undistributed profit of RMB2,960,489,772.21 will be carried forward to the next year. In the event of change in the total share capital of the Company before the equity record date of the implementation of the above dividend distribution, it is proposed that the distribution ratio per share will remain unchanged while the total distribution amount shall be adjusted accordingly.

The aforesaid profit distribution proposal is subject to the approval of the general meeting of the Company.

## Section 4 Report of the Board

### V. Issuance of Shares and Use of Proceeds

#### Issuance of A shares to specific subscribers

The Company convened the twenty-eighth meeting of the fourth session of the Board, the first extraordinary general meeting and the shareholders' class meeting for the year 2022 on 28 September and 20 October 2022, respectively, which considered and approved the relevant resolutions on the issuance of A shares to specific subscribers by the Company.

On 17 February 2023, the CSRC officially promulgated the rules of the system relating to the full implementation of the registration system for share issuance, projects that accepted by the CSRC were transferred to the exchange registration system for review. The Company completed the translation of the project in strict compliance with the requirements, and the application for the issuance of A shares to specific subscribers was accepted by the Shanghai Stock Exchange on 2 March 2023.

In response to the regulatory initiatives and to give better play to the functional role of securities companies in the high-quality development of the real economy, the tenth meeting of the fifth session of the Board of the Company was held on 9 June 2023, at which the relevant resolutions in relation to the reduction of the total amount of proceeds raised from the issuance of A shares to specific subscribers by the Company and the adjustment of the issuance plan were considered and approved.

The Company convened the eleventh meeting of the fifth session of the Board, the third extraordinary general meeting and the shareholders' class meeting for the year 2023 on 29 August and 12 October 2023, respectively, which considered and approved the Resolution on the Extension of Validity Period of Resolution and Authorization of the Shareholders' General Meeting to Issue A Shares to Specific Subscribers (《關於延長向特定對象發行A股股票股東大會決議有效期及授權有效期的議案》).

As of the date of this report, the issuance of A shares to specific subscribers by the Company remained under review by the Stock Exchange, and the Company will fulfill its obligations of information disclosure in a timely manner based on the progress of such matter.

For details, please refer to the relevant announcements of the Company published on the HKEXnews website of the HK Stock Exchange on 28 September 2022, 20 October 2022, 2 March 2023, 9 June 2023, 29 August 2023 and 12 October 2023.

### VI. Directors

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

### VII. Directors and Supervisors’ Service Contracts

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

### VIII. Permitted Indemnity Provisions

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

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

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

### X. Controlling Shareholders’ Interests in Contracts of Significance

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

### XI. Directors’ Interests in the Business Competing with the Company

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

## Section 4 Report of the Board

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

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

### XIII. Interests and Short Positions of Directors, Supervisors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at the end of the Reporting Period, based on the information available to the Company and to the knowledge of the Directors, the interest or short positions of Directors, Supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to the Company and HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under those provisions of the SFO), or (ii) which will be required to be recorded in the equity register kept pursuant to Section 352 of the SFO, or (iii) which will be required to be notified to the Company and HK Stock Exchange pursuant to the Model Code were as follows:

Name	Position	Types of shares	Number of shares (Note 2)	Percentage of total issued shares (%) (Note 3)	Approximate percentage of total issued share capital of H Shares (%)
Ge Xiaobo	Chairman, President	H Shares	1,340,478(L)	0.0473	0.3028
Xu Faliang	Chairman of the Supervisory Committee	H Shares	134,047(L)	0.0047	0.0303
Wu Lingyun	Employee Representative Supervisor	H Shares	53,619(L)	0.0019	0.0121
Zhou Min	Employee Representative Supervisor	H Shares	13,404(L)	0.0005	0.0030

Note 1: Mr. Ge Xiaobo, Mr. Xu Faliang, Ms. Wu Lingyun and Mr. Zhou Min were deemed to have interests in the H Shares of the Company, respectively due to they participated in the employee stock ownership plan of the Company for the year 2022.

Note 2: (L) denotes long positions.

Note 3: As of 31 December 2023 and the date of this report, the Company issued 2,389,133,168 A Shares and 442,640,000 H Shares in total. The total number of shares is 2,831,773,168.

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

### **XIV. Information about the Company's Equity Incentive Scheme, Employee Stock Ownership Plan or Other Employee Incentive Measures and their Impacts**

In order to establish and improve the benefit sharing mechanism between employees and the Company, enhance the cohesion among employees and competitiveness of the Company, and attract and retain talents, so as to promote the long-term, sustainable and healthy development of the Company and maximize the benefits of the Company, its shareholders and employees as a whole, the Company has implemented the employee stock ownership plan for the year 2022.

The Company convened the twenty-fifth meeting of the fourth session of the Board and the annual general meeting for the year 2021 on 29 April 2022 and 10 June 2022, respectively, which considered and approved the Resolution on the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. for the Year 2022 (Draft) and its Summary (《關於國聯證券股份有限公司2022年度員工持股計劃(草案)及其摘要的議案》) and the Resolution on Proposing at the General Meeting to Authorize the Board of Directors with Full Discretion to Handle the Matters related to the Employee Stock Ownership Plan of the Company for the Year 2022 (《關於提請股東大會授權董事會全權辦理公司2022年度員工持股計劃相關事宜的議案》).

In June 2022, the Company completed the fundraising for the subscription of the employee stock ownership plan of the Company for the year 2022, with the actual number of participants of 342. The participants included Directors, Supervisors, senior management, employees at VP level and above and other core backbone personnel of the Company or its controlling subsidiaries, and the total subscription amount was RMB68,110,000. The number of subject shares associated with the employee stock ownership plan units held by any individual holder shall not, in aggregate, exceed 0.1% of the Company's total share capital.

The term of the employee stock ownership plan shall be 5 years with effect from the date of consideration and approval by the general meeting of the Company.



## Section 4 Report of the Board

On 12 July 2022, the Company convened the first meeting of holders of the employee stock ownership plan for the year 2022, which considered and approved the Resolution on Review of the Rules for the Meeting of Holders of the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. for the Year 2022 (《關於審議國聯證券股份有限公司2022年度員工持股計劃持有人會議規則的議案》), Resolution on Election of Members of the Management Committee for the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. for the Year 2022 (《關於選舉國聯證券股份有限公司2022年度員工持股計劃管理委員會委員的議案》) and Resolution on Authorization of the Management Committee of the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. to Deal with Matters in Relation to this Employee Stock Ownership Plan (《關於授權國聯證券股份有限公司員工持股計劃管理委員會辦理本次員工持股計劃相關事宜的議案》).

As of 22 December 2022, the employee stock ownership plan of the Company completed the purchase and registration of the subject shares, and purchased a total of 18,260,000 H Shares of the Company in the secondary market, accounting for approximately 0.6448% of the total share capital of the Company. The total consideration was HK\$73,759,900 (excluding transaction fees), and the remaining funds will be used for liquidity purpose. The lock-up period of the subject shares purchased under the employee stock ownership plan of the Company shall be 12 months effective from the date on which the Company announces that the latest purchased subject shares are transferred and registered (i.e. 23 December 2022). On 22 December 2023, the lock-up period of the Company's employee stock ownership plan for the year 2022 expired.

As of the end of the Reporting Period, the details of the shares calculated based on the employee stock ownership plan units are as follows:

Name/category of holders	Number of shares held
Ge Xiaobo	1,340,478
Xu Faliang	134,047
Wu Lingyun	53,619
Zhou Min	13,404
The five highest paid individuals in 2023 in aggregate (one of whom is a Director of the Company)	1,930,289
Other employees in aggregate	16,329,711

The Company will continue to pay attention to the implementation progress of the employee stock ownership plan for the year 2022, and perform the information disclosure obligations in accordance with the requirements of relevant laws and regulations.

### XV. Other Disclosures

#### (I) Share Capital

The information is set out in the “Consolidated Statement of Financial Position” and Note 39 to the consolidated financial statements of this report.

#### (II) Pre-emptive Rights

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

#### (III) Sufficiency of Public Float

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

#### (IV) Management Contracts

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

## Section 4 Report of the Board

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

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

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

## Section 4 Report of the Board

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

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

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

### (VI) Reserves and Reserves of Profits Available for Distribution

As of 31 December 2023, the Company's reserves available for distribution to shareholders were RMB3,362,601,562.07.

### (VII) Major Customers and Suppliers

The Company provides services for various individual and institutional customer groups with a large customer base and wide distribution. The Company's major customers include non-enterprise institutions, large, medium and small enterprises, institutional investors and retail customers. During the Reporting Period, revenue generated from the top five customers amounted to RMB208 million, accounting for 4.73% of total revenue, net investment gains and other income of the Group. None of the Directors, Supervisors or any of their respective close associates or any shareholder holding more than 5% of the issued share capital of the Company has any interests in the Company's top five customers.

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

## Section 4 Report of the Board

### (VIII) Property and Equipment

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

### (IX) Fulfillment of Social Responsibilities

For the information of fulfillment of social responsibilities during the Reporting Period, please refer to Section 9 "Environmental and Social Responsibility" of this report.

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

#### 1. Employees

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

#### 2. Customers

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

#### 3. Suppliers

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

### (XI) Compliance with Laws and Regulations

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

### (XII) Major Events after the Reporting Period

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

## Section 4 Report of the Board

### (XIII) Exchange Rate Fluctuation Risks and any Related Hedging

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

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

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

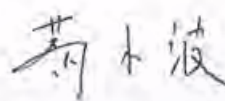
During the Reporting Period, the Company did not signed any equity linked agreement or had any share option arrangement.

### (XV) Business Review

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

By order of the Board

**Guolian Securities Co., Ltd.**



**Ge Xiaobo**  
Chairman

26 March 2024

## Section 5 Other Significant Events

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

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

### II. Significant Litigations and Arbitrations

#### (I) Outstanding Cases during the Reporting Period

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

The foregoing matters of this case have been disclosed in the Company's previous periodic reports. On 11 January 2024, the Company received a civil ruling (2021) Su Min Zhong No. 84 issued by the Jiangsu Provincial Higher People's Court (江蘇省高級人民法院) on 29 December 2023, which rescinded the first instance ruling of this case and directed the Wuxi Intermediate People's Court (無錫市中級人民法院) to adjudicate. As of the date of this report, the case has yet to be heard in court.

#### (II) Cases Concluded during the Reporting Period

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

### III. Important Contracts and Their Fulfillment

During the Reporting Period, save as those disclosed in this report, the Company did not enter into any important contracts.

### IV. Connected Transactions

Particulars of the major related party transactions of the Group for the year ended 31 December 2023 are set out in note 55 to the financial statement. Save as disclosed in this section, these related party transactions do not constitute any connected transactions under Chapter 14A of the Listing Rules. Among these, the related party transactions that constitute connected transactions under Chapter 14A of the Listing Rules are subject to reporting, annual review and announcement in accordance with the requirements of Chapter 14A under the Listing Rules, and have complied with the provisions in Chapter 14A under the Listing Rules, particulars of which are as follows:

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

The Continuing Connected Transactions of the Group are mainly conducted with Guolian Group and its Associates. Guolian Group is the Controlling Shareholder of the Company. Under the Listing Rules, Guolian Group and its Associates are connected persons of the Group. Therefore, the agreements entered into between the Group and Guolian Group and its Associates constitute Connected Transactions under the Listing Rules. The Company entered into the Securities and Financial Services Framework Agreement and renewed the Property Leasing and Related Services Framework Agreement with Guolian Group on 18 December 2020, and renewed the Securities and Financial Framework Agreement and the Property Leasing and Related Services Framework Agreement on 27 December 2023 and set annual caps under the continuing connected transactions framework agreements for the period from 1 January 2024 to 31 December 2026. In view of the past long-term cooperative relationship between the Group and Guolian Group and its Associates, such transactions have facilitated and will continue to facilitate the overall business operation and business growth of the Group. At the same time, through integrating the advantageous resources of the Group and Guolian Group and its Associates, they will lower operating costs and general expenditure of the Group, provide additional revenue source for the Group and further enhance the profitability of the Group and its position in the securities industry. Furthermore, based on knowledge of Guolian Group and its Associates regarding the operation of the Group, they are capable of providing more suitable and effective services to the Group when compared with independent third parties. As one or more of the applicable percentage ratios of the annual caps for the years of 2021, 2022 and 2023 under the Securities and Financial Services Framework Agreement and Property Leasing and Related Services Framework Agreement are more than 0.1% but less than 5%, the Securities and Financial Services Framework Agreement, Property Leasing and Related Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempted from the independent shareholders' approval requirements.



## Section 5 Other Significant Events

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

### 1. Securities and Financial Framework Agreement

#### 1. *Securities and financial services*

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

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

#### 2. *Securities and financial products*

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

## Section 5 Other Significant Events

### Basis of pricing

#### 1. *Securities and financial services*

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

*(i) Securities brokerage services*

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

*(ii) Futures IB services*

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

*(iii) Securities asset management services*

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

## Section 5 Other Significant Events

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

(iv) *Agency sales of financial products services*

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

(v) *Financial advisory services*

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

(vi) *Underwriting and sponsorship services*

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

(vii) *Securities investment consultancy services*

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

## Section 5 Other Significant Events

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

(i) *Management services of trust plans*

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

(ii) *Futures brokerage services*

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

(iii) *Futures investment consultancy services*

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

(iv) *Commercial insurance services*

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

## Section 5 Other Significant Events

### 2. *Securities and financial products*

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

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

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

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

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

*(iii) Asset backed securities*

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

## Section 5 Other Significant Events

(iv) *Pledged dealer-quoted repurchase*

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

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

(i) *Trust plans and other products*

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

## Section 5 Other Significant Events

### 1. Securities and Financial Services

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

Unit: RMB'million

Item	2023 Annual Cap of Transaction Amount	2023 Actual Transaction Amount
<b>Revenue received by the Group</b>		
Including securities brokerage (including seat leasing) services, Futures IB services, securities asset management services, agency sales of financial products services, financial advisory services, underwriting and sponsorship services, securities investment consultancy services and other financial services approved by China Securities Regulatory Commission	80.03	14.85
<b>Expenses incurred by the Group</b>		
Including management services of trust plans, futures brokerage services, futures investment consultancy services, commercial insurance services and other financial services approved by China Securities Regulatory Commission and the former China Banking and Insurance Regulatory Commission	7.43	2.07

## Section 5 Other Significant Events

### 2. Securities and financial products

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

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

Unit: RMB'million

Item	2023 Annual Cap of Transaction Amount	2023 Actual Transaction Amount
Total capital inflow arising from securities and financial product transactions between the Group and Guolian Group and its Associates (deducting the amount of sales under repurchase agreements transactions and the amount of pledged dealer-quoted repurchase transactions)	330	0
Total capital outflow arising from securities and financial product transactions between the Group and Guolian Group and its Associates	315	0



## Section 5 Other Significant Events

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

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

Unit: RMB'million

Item	2023 Annual Cap of Transaction Amount	2023 Actual Transaction Amount
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Maximum daily balance of sales under repurchase agreements and pledged dealer-quoted repurchase transactions between Guolian Group and its Associates and the Group (including interests) <sup>Note</sup>

525

0

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

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

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

## Section 5 Other Significant Events

### Basis of pricing

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

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

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

Unit: RMB' million

Items	2023 Annual Cap of Transaction Amount	2023 Actual Transaction Amount
<b>Revenue received by the Group</b>		
Including income received from leasing properties	3.00	0.54
<b>Expenses incurred by the Group</b>		
Including expenses incurred for leasing properties <sup>note</sup> ,		
fee expense incurred for the related property services	33.70	19.66

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

## Section 5 Other Significant Events

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

- (1) during the ordinary and usual course of business of the Company;
- (2) on normal commercial terms or better;
- (3) according to relevant agreements of the transactions, the terms of which are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

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

In respect of the disclosed Continuing Connected Transactions:

- (1) nothing has come to our attention that causes us to believe that the disclosed Continuing Connected Transactions have not been approved by the Company's Board of Directors.
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- (3) nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- (4) with respect to the aggregate amount of each of the Continuing Connected Transactions, nothing has come to our attention that causes us to believe that the disclosed Continuing Connected Transactions have exceeded the annual cap as set by the Company.

The Company confirmed that it had complied with all the disclosure requirements in relation to the disclosure of the Continuing Connected Transactions under Chapter 14A of the Listing Rules.

## Section 5 Other Significant Events

### (II) Internal Control and Corporate Governance Measures

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

- (1) the Company has set up a monitoring system, which has a detailed list of the Company's connected persons. If any of the transactions involve connected persons of the Company, such transaction will be timely reported to the Board of Directors Office of the Company and can only be continued with the approval and confirmation of the Board of Directors Office. In this way, the Board of Directors Office is able to track down every Connected Transaction's amounts and make sure the annual caps would not be exceeded;
- (2) the department in charge of the specific transaction will collect market prices. Such market prices include (i) prices of similar transactions in the market; (ii) the Company's pricing of similar transactions in the past; and (iii) as to the Property Leasing and Related Services Framework Agreement, pricing by similar market transactions or independent third party property valuers. The Company will refer to such market prices in determination of the transaction prices under the Securities and Financial Framework Agreement and the Property Leasing and Related Services Framework Agreement;
- (3) the Company has established its internal guidelines and policies for management of different types of securities and financial products transactions, as well as the internal procedures and systems for approval and supervision of such transactions. Such policies and guidelines set out the requirements for pre-trading pricing enquiries, applicable interest rates, procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for different types of transactions and businesses;
- (4) all of the Continuing Connected Transactions are reviewed and confirmed by independent non-executive Directors annually; and
- (5) the Auditing Department of the Company is responsible for the audit of major Connected Transactions one by one to ensure the truthfulness, accuracy and completeness of the audit report information, and submit the audit report to the Board of Directors for review.

## Section 5 Other Significant Events

### (III) Other Connected Transactions

#### 1. Establishment of the limited partnership fund

On 8 December 2023, Guolian Securities International Co., Limited (“Guolian International”, as a limited partner), an indirect wholly-owned subsidiary of the Company, executed the Partnership Agreement and other documents to jointly establish the Guolian CMS Tech Fund I LPF with the related parties, Surrich International Company Limited (“Surrich International”, as a limited partner), Twin Bays Investments Limited (“Twin Bays Investments”, as a general partner) and a non-related party, China Merchants Securities Investment Management (HK) Co., Limited (“CMS Investment”, as a limited partner), to expand the scale of the offshore asset management business of the Company, enhance the strength in the offshore securities business of the Company and improve the brand awareness of the Company. The size of the Fund is US\$100 million, of which, the capital contribution of US\$20 million, US\$30 million and US\$30 million has been committed by Guolian International, Surrich International and CMS Investment, while the capital contribution committed by the remaining limited partners will be raised from investors on a market-based basis.

As at the date of execution of the Partnership Agreement, as Guolian Group directly and indirectly holds 48.60% of the shares of the Company, it is a Controlling Shareholder of the Company as defined under the Listing Rules. As Surrich International is held as to 100% by Guolian Group, Twin Bays Investments is indirectly held as to 30% by Guolian Group through Surrich Capital Co., Limited, a wholly-owned subsidiary of Surrich International, therefore, Surrich International, Surrich Capital Co., Limited and Twin Bays Investments are Connected Persons of the Company under Chapter 14A of the Listing Rules, and the establishment of the Fund constitutes a connected transaction of the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the transaction is more than 0.1% but less than 5%, the establishment of the Fund is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempted from the independent Shareholders’ approval requirements.

For details of the connected transaction, please refer to the announcements of the Company dated 27 October 2023 and 8 December 2023.

## Section 5 Other Significant Events

### 2. Property leasing and renovation

On 27 December 2023, the Company entered into the Property Leasing Contract with Shanghai Hongmao Properties Co., Ltd. (上海虹茂置業有限公司) (“Hongmao Properties”) and the Renovation Project Agreement with Shanghai Hongding Properties Co., Ltd. (上海虹鼎置業有限公司) (“Hongding Properties”), Huaxin Design Group Limited (華昕設計集團有限公司) (“Huaxin Design”) and Shanghai Kang Ye Construction & Decoration Engineering Co., Ltd. (上海康業建築裝飾工程有限公司) (“Kang Ye Decoration”) to meet the demand for office space of the Company in Shanghai region. According to the Property Leasing Contract, the Company leases the commercial premises on Level 1, residential premises on Levels 2-4 and Levels 6-10 of Tower B of Shanghai Star Cube Building held by Hongmao Properties for office purposes, with a leased area of approximately 12,940.35 sq.m. (including the apportioned area of public zones) at an annual rental of RMB33,062,600, with a tentative commencement date of the lease of 1 July 2024 (with the renovation and construction period prior to the actual commencement date of the lease and the actual commencement date of the lease is subject to the progress of the renovation work and based on the written notice from the lessor). Under the Renovation Project Agreement, the Company entrusted Hongding Properties to be responsible for the relevant work concerning the tender, management, inspection and acceptance, payment and settlement of the renovation of the Leasing Subject. The general contractors, namely Kang Ye Decoration and Huaxin Design, were determined by Hongding Properties through open tender and are jointly responsible for the Renovation Project. The tentative total price of the renovation costs that the Company should bear is RMB40,003,600, of which, the design fee charged by Huaxin Design, the related party, is tentatively set at RMB729,700, and the construction and installation fee charged by Kang Ye Decoration, the non-related party, is tentatively set at RMB39,273,900. The actual renovation fee borne by the Company shall be subject to the audited amount upon the completion of settlement.

As at the date of execution of the contract, as Guolian Group directly and indirectly holds 48.60% of the shares of the Company, it is a Controlling Shareholder of the Company as defined under the Listing Rules. As Hongmao Properties and Hongding Properties are directly held as to 100% by Guolian Group, Huaxin Design is held as to 50.1% by Huaguang Environmental, a subsidiary of Guolian Group, therefore, Hongmao Properties, Hongding Properties and Huaxin Design are Connected Persons of the Company under Chapter 14A of the Listing Rules, and the transactions under the Property Leasing Contract and the Renovation Project Agreement constitute connected transactions of the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the transactions under the Renovation Project Agreement is more than 0.1% but less than 5%, the transactions under the Renovation Project Agreement are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempted from the independent Shareholders’ approval requirements. The total value of the right-of-use assets to be recognized by the Company under the Property Leasing Contract is within the annual caps under the Property Leasing and Related Services Framework Agreement entered into between the Company and Guolian Group.

For details of the connected transaction, please refer to the announcement of the Company dated 27 December 2023.

## Section 5 Other Significant Events

### V. Bankruptcy Reorganization, Acquisitions, Mergers and Divisions

During the Reporting Period, save as those disclosed in this report, the Company and its subsidiaries were not engaged in any bankruptcy reorganization, acquisitions, mergers or divisions.

### VI. Major Off-balance-sheet Items

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

### VII. Engagement and Dismissal of Accounting Firm

#### (I) Accounting Firm Currently Engaged by the Company

Name of Domestic Accounting Firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of Domestic Accounting Firm	RMB2.42 million
Term of Audit of Domestic Accounting Firm	8 years
Name and Cumulative Term of Service of Domestic Certified Public Accountants	Sun Weiqi (孫維琦) : 3 years; Zhu Weiqi (朱璋琦) : 2 years
Name of Overseas Accounting Firm	Deloitte Touche Tohmatsu
Remuneration of Overseas Accounting Firm	RMB590,000
Term of Audit of Overseas Accounting Firm	8 years
Name and Cumulative Term of Service of Overseas Certified Public Accountant	Chan Wo Mi (陳和美) : 3 years

In addition, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as the audit institution of internal control for the year 2023, and the relevant audit expenses were RMB360,000.

## Section 5 Other Significant Events

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

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

## VIII. Significant Subsequent Events

### (I) Changes Of Directors, Supervisors and Senior Management

Nil

### (II) Annual Profit Distribution Proposal

The annual profit distribution proposal of the Company for the year 2023 is set out in Section 4 “IV. Profit Distribution Policies and Profit Distribution Situation” of this report.

### (III) Major Investing and Financing Activities

Nil

### (IV) Major Litigations and Arbitrations

Nil

### (V) Business Mergers or Disposals of Subsidiaries

Nil

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

Nil



## Section 5 Other Significant Events

### IX. Important Matters or Major Subsequent Events of Subsidiaries

#### (I) Analysis of major holding companies or invested companies

1. Hua Ying Securities: As of the end of the Reporting Period, Hua Ying Securities had total assets of RMB605,597,300 and net assets of RMB388,235,100. During the Reporting Period, it achieved operating income of RMB515,051,500, total profit of RMB60,278,600 and net profit of RMB35,602,400.

Principal businesses of Hua Ying Securities: Licensed items: securities business; bond market business (For items requiring approval in accordance with the law, commencement of operations is subject to the approval by the relevant authorities, and the specific items are subject to the approval results). General items: securities financial advisory services (Except for items requiring approval in accordance with the law, operations shall be commenced independently with the business licences in accordance with the law).

2. Guolian Capital: As of the end of the Reporting Period, Guolian Capital had total assets of RMB596,183,300 and net assets of RMB250,116,500. During the Reporting Period, it achieved operating income of RMB27,506,800, total profit of RMB3,239,500 and net profit of RMB2,513,700.

Principal businesses of Guolian Capital: Investment management. (For items requiring approval in accordance with the law, commencement of operations is subject to the approval by the relevant authorities)

3. Guolian Chuangxin: As of the end of the Reporting Period, Guolian Chuangxin had total assets of RMB140,888,200 and net assets of RMB140,092,500. During the Reporting Period, it achieved operating income of RMB-27,915,200, total profit of RMB-30,876,300 and net profit of RMB-30,733,300.

Principal businesses of Guolian Chuangxin: External investment, venture capital investment, industrial investment and equity investment with proprietary funds. (For items requiring approval in accordance with the law, commencement of operations is subject to the approval by the relevant authorities)

4. Guolian HK: As of the end of the Reporting Period, Guolian HK had total assets of RMB433,135,100 and net assets of RMB232,400,400. During the Reporting Period, it achieved operating income of RMB27,738,400, total profit of RMB1,827,000 and net profit of RMB1,809,200.

Guolian HK is principally engaged in holdings, investment, and overseas securities business through its subsidiaries. Currently, Guolian HK has obtained licences under Types 1, 4, 6 and 9 of the Securities and Futures Commission of Hong Kong, as well as the qualified foreign investor business qualification.

5. Guolian Assets Management obtained its industrial and commercial business licence on 20 September 2023 and had not commenced business as of the end of the Reporting Period.

## Section 5 Other Significant Events

6. Guolian Fund: As of the end of the Reporting Period, Guolian Fund had total assets of RMB1,291,606,700 and net assets attributable to the parent company of RMB1,103,271,900. Guolian Fund achieved operating income of RMB238,875,400 and net profit of RMB30,294,100 from the acquisition date to the end of the Reporting Period.

Principal businesses of Guolian Fund: Fund raising, fund sales, specific customer asset management.

7. Zhonghai Fund: As of the end of the Reporting Period, Zhonghai Fund had total assets of RMB305,896,500 and net assets attributable to the parent company of RMB229,113,200. During the Reporting Period, it achieved operating income of RMB136,752,900, total profit of RMB-21,584,100 and net profit of RMB-66,983,300.

Principal businesses of Zhonghai Fund: Fund raising, fund sales, asset management and other businesses approved by the CSRC.

Note: The above information is based on financial information prepared in accordance with the Accounting Standards for Business Enterprises of the PRC.

### (II) Material Litigations

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

As at the end of the Reporting Period, there has been no new progress in the case of dispute over the liability for misrepresentation of securities between our subsidiary Hua Ying Securities and Shandong Longlive Bio-Technology Co., Ltd., and the preceding matters have been disclosed in the previous regular reports and interim announcements of the Company.

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

### I. Changes in Shares during the Reporting Period

As at the end of the Reporting Period, the total share capital of the Company was 2,831,773,168 shares, of which 2,389,133,168 shares were A Shares and 442,640,000 shares were H Shares.

### II. Shareholders as at the End of the Reporting Period

At the end of the Reporting Period, the Company had 105,090 registered shareholders, including 104,994 shareholders of A Shares and 96 registered shareholders of H Shares.

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

Name of shareholders	Nature of shareholders	Number of shares held (shares)	Percentages of shares held	Number of shares changed during the Reporting Period (shares)	Pledge or freeze up over shares held (shares)
Guolian Group	State-owned legal person	543,901,329	19.21%	-	Nil
HKSCC (Nominees) Limited (Note 1)	Overseas legal person	442,494,290	15.63%	3,500	Unknown
Guolian Trust	State-owned legal person	390,137,552	13.78%	-	Nil
Wuxi Electric	State-owned legal person	266,899,445	9.43%	-	Nil
Minsheng Investment	State-owned legal person	73,500,000	2.60%	-	Nil
Cotton Textile	State-owned legal person	72,784,141	2.57%	-	Nil
Huaguang Environmental	State-owned legal person	29,113,656	1.03%	-	Nil
China Construction Bank Corporation - Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund	Others	25,754,116	0.91%	4,519,113	Nil
Hong Kong Securities Clearing Company Limited (Note 2)	Overseas legal person	24,355,448	0.86%	672,879	Nil
Jiangsu Xinfang Industrial Co., Ltd.* (江蘇新紡實業股份有限公司)	Domestic non-state-owned legal person	22,500,000	0.79%	-	Nil

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

Note 2: The shares held by Hong Kong Securities Clearing Company Limited are the A Shares of the Company held by the investors of Shanghai Stock Connect.

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

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

### III. General Information on Shareholders Holding 10% or More of the Shares

Guolian Group was established in December 1997, and is a wholly state-owned enterprise group contributed and organized by Wuxi State-owned Assets Supervision and Administration Commission with a state-owned asset investment qualification granted. Its registered capital is RMB8,391,110,000. Guolian Group is mainly engaged in capital and assets operation; external investment with proprietary funds; trade consultancy; enterprise management service. The legal representative and general manager of Guolian Group are Mr. Xu Ke and Mr. Gu Wei (顧偉), respectively.

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

### IV. Disclosure of Interests

As at 31 December 2023, to the knowledge of the Company's Directors after making reasonable enquiry, the following persons (not being the Directors, Supervisors or chief executives of the Company) have interests or short positions in the shares and underlying shares of the Company which shall be disclosed to the Company and recorded in the register required to be kept by the Company in accordance with Sections 2 and 3 of Part XV of the SFO and Section 336 of the SFO:

Name of shareholders	Types of shares	Nature of interests	Number of shares (Note 3)	Percentage of total issued shares of the Company (Note 4)	Percentage of total issued shares in the total relevant types of shares of the Company (Note 4)
Guolian Group (Note1)	A Shares	Beneficial owner and interest of controlled corporation	1,376,336,123 (L)	48.60%	57.61%
Guolian Trust	A Shares	Beneficial owner	390,137,552 (L)	13.78%	16.33%
Guolian Industrial (Note 2)	A Shares	Interest of controlled corporation	266,899,445 (L)	9.43%	11.17%
Wuxi Electric	A Shares	Beneficial owner	266,899,445 (L)	9.43%	11.17%

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

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

Note 3: (L) denotes long positions.

Note 4: Up to 31 December 2023 and up to the date of this report, the Company issued 2,389,133,168 A Shares and 442,640,000 H Shares in total. The total number of shares is 2,831,773,168.

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

Save as disclosed above, as at 31 December 2023, the Company is not aware of any other persons (excluding the Directors, Supervisors and chief executives of the Company) having the interests or short positions in the shares or underlying shares of the Company that are required to be recorded in the register under Section 336 of the SFO.

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

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

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

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

Name	Position	Gender	Age	Date of commencement and completion of employment	Number of shares held (shares)	Remuneration received during the Reporting Period (In RMB ten thousand)	Remarks
<b>Directors</b>							
Ge Xiaobo	Chairman of the Board, Executive Director, President	Male	53	20 October 2022 to 19 October 2025	-	288	-
Hua Weirong	Non-executive Director	Male	58	20 October 2022 to 19 October 2025	-	-	-
Zhou Weiping	Non-executive Director	Male	55	20 October 2022 to 19 October 2025	-	-	-
Wu Weihua	Non-executive Director	Male	46	20 October 2022 to 19 October 2025	-	-	-
Li Suo	Non-executive Director	Female	44	20 October 2022 to 19 October 2025	-	-	-
Liu Hailin	Non-executive Director	Male	46	20 October 2022 to 19 October 2025	-	-	-
Wu Xingyu	Independent Non-executive Director	Male	47	20 October 2022 to 19 October 2025	-	18	-
Chu, Howard Ho Hwa	Independent Non-executive Director	Male	59	20 October 2022 to 19 October 2025	-	18	-
Gao Wei	Independent Non-executive Director	Male	57	20 October 2022 to 19 October 2025	-	18	-
<b>Supervisors</b>							
Xu Faliang	Chairman of the Supervisory Committee, Shareholder Representative Supervisor	Male	59	20 October 2022 to 19 October 2025	-	126	-
Xu Kan	Shareholder Representative Supervisor	Male	34	20 October 2022 to 19 October 2025	-	-	-
Xu Jingyan	Shareholder Representative Supervisor	Female	46	20 October 2022 to 19 October 2025	-	-	-
Wu Lingyun	Employee Representative Supervisor	Female	48	20 October 2022 to 19 October 2025	-	53.80	-
Zhou Min	Employee Representative Supervisor	Male	40	20 October 2022 to 19 October 2025	-	55.68	-
<b>Senior Management</b>							
Jiang Zhiqiang	Chief Risk Officer	Male	53	20 October 2022 to 19 October 2025	-	144.00	-
Yin Hongwei	Vice President	Female	57	20 October 2022 to 19 October 2025	-	185.77	-
Li Qin	Vice President	Male	47	20 October 2022 to 19 October 2025	-	144.00	-
Ma Qunxing	Vice President	Male	47	20 October 2022 to 19 October 2025	-	144.00	-
Yin Lei	Vice President and Financial Officer	Male	53	20 October 2022 to 19 October 2025	-	162.00	-
Xu Chun	Vice President	Male	37	27 December 2023 to 19 October 2025	-	-	-
Wang Jie	Secretary of the Board	Male	54	20 October 2022 to 19 October 2025	-	156.00	-
Huang Wei	Chief Information Officer	Male	45	27 October 2023 to 19 October 2025	-	36.00	-
Dai Jiechun	Chief Compliance Officer	Male	47	20 October 2022 to 19 October 2025	-	156.00	-
Wang Jinling	Chief Information Officer (resigned)	Male	49	20 October 2022 to 12 April 2023	-	21.00	Job transfer

Note 1: In the case of re-election of Directors, Supervisors and senior management of the Company, the date of commencement of employment shall be the date of first appointment for the current re-election;

Note 2: During the Reporting Period, no non-cash remuneration was ever received by any Directors, Supervisors or senior management of the Company, and the Company did not implement any equity incentive schemes;

Note 3: The statistical basis of remuneration of the Directors, Supervisors and senior management of the Company during the Reporting Period was the remuneration received during the term of office. The total pre-tax remuneration received from the Company during the Reporting Period was the remuneration attributable to and paid in 2023.

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

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

#### (I) Positions held in the shareholders

Name	Name of the shareholders	Position held	Date of commencement of employment	Date of completion of employment
Hua Weirong	Guolian Group	Deputy Secretary of the Party Committee and Director	December 2015	To present
Zhou Weiping	Guolian Group	President	December 2015	November 2023
Wu Weihua	Guolian Trust	Chairman	January 2014	To present
	Guolian Group	General Manager of the Strategic Development Department	August 2021	To present
	Huaguang Environmental	Director	December 2022	To present
Li Suo	Guolian Trust	Director	June 2023	To present
	Guolian Group	General Manager of the Auditing Department	August 2023	To present
	Guolian Group	Deputy General Manager of the Financial and Accounting Department	March 2022	August 2023
Liu Hailin	Jiangsu Xinfang	General Manager and Executive Director	April 2019	To present
Xu Kan	Wuxi Weifu High-technology Group Co., Ltd.* (無錫威孚高科技集團股份有限公司)	Securities Representative and Assistant Director of the Board of Directors Office	March 2021	To present
Xu Jingyan	Wuxi Municipal Xinfu Group Limited* (無錫市新發集團有限公司)	Head of the Investment and Development Department and Director	August 2020	To present

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

### (II) Positions held in other companies

Name	Name of other companies	Position held in other companies	Date of commencement of employment	Date of completion of employment
Ge Xiaobo	Hua Ying Securities	Chairman	December 2021	To present
		Director	November 2019	To present
	Zhonghai Fund	Director	December 2019	May 2023
	Guolian HK	Chairman	February 2020	To present
	Guolian Fund	Director	May 2023	To present
	Guolian Assets Management	Chairman	September 2023	To present
Hua Weirong	Wuxi Guofa Capital Operation Co., Ltd.* (無錫市國發資本運營有限公司)	Director, General Manager	June 2018	To present
	Guolian Financial Investment	Director, President	June 2012	To present
	Guolian Industrial	Director, President	March 2016	To present
	China State-owned Enterprise Structural Adjustment Fund Phase II Co., Ltd.* (中國國有企業結構調整基金二期股份有限公司)	Director	August 2021	To present
Zhou Weiping	Wuxi Rural Commercial Bank Co., Ltd.* (無錫農村商業銀行股份有限公司)	Director	June 2020	To present
Wu Weihua	Guolian Financial Investment	Director	October 2021	To present
	Wuxi Nianhuawan Cultural Investment Development Co., Ltd. (無錫拈花灣文化投資發展有限公司)	Director	October 2021	To present
	Guolian Life Insurance Co., Ltd.	Director	April 2023	To present
	Wuxi Liantai Venture Capital Co., Ltd.* (無錫聯泰創業投資有限公司)	Chairman	March 2023	To present
	Wuxi Delian Investment Co., Ltd.* (無錫市德聯投資有限公司)	Chairman	March 2023	To present
	Wuxi Baolian Investment Co., Ltd.* (無錫市寶聯投資有限公司)	Chairman	June 2023	To present
	Hua Hong Semi-Conductor (Wuxi) Co., Ltd.* (華虹半導體(無錫)有限公司)	Director	October 2023	To present
	Hua Hong Semi-Conductor Manufacturing (Wuxi) Co., Ltd.* (華虹半導體製造(無錫)有限公司)	Director	November 2023	To present
	Wuxi Xihong Guoxin Investment Co., Ltd.* (無錫錫虹國芯投資有限公司)	Chairman, General Manager	December 2023	To present



## Section 7 Information of Directors, Supervisors, Senior Management and Staff

Name	Name of other companies	Position held in other companies	Date of commencement of employment	Date of completion of employment
Wu Xingyu	Land Space Technology Corporation Ltd.* (藍箭航空空間科技股份有限公司)	Chief Financial Officer	December 2020	To present
	Sailvan Times Technology Co., Ltd.* (賽維時代科技股份有限公司)	Director	April 2021	To present
Chu, Howard Ho Hwa	Go Capital Limited	Independent Director	June 2020	To present
	BOE Varitronix Limited	Fund Partner	January 2014	To present
	Crypto Flow Technology Limited	Independent Director	June 2016	To present
Gao Wei	Zhongguancun Science-Tech Leasing Co., Ltd.	Independent Director	September 2022	To present
	Yunnan Ruihe Jincheng Industrial Co., Ltd.* (雲南瑞和錦程實業股份有限公司)	Company Secretary	June 2019	To present
	Sizhi Enterprise Consulting (Beijing) Co., Ltd.* (思治企業諮詢(北京)有限公司)	Director	February 2021	To present
	Best Mart 360 Holdings Limited	Director	February 2022	February 2024
Jiang Zhiqiang	Best Mart 360 Holdings Limited	Independent Director	September 2023	To present
	Zhonghai Fund	Director	November 2011	To present
	Hua Ying Securities	Director	May 2023	To present
Yin Hongwei	Guolian Assets Management	Chief Risk Officer	September 2023	To present
	Guolian Capital	Chairman	April 2020	To present
	Guolian HK	Director	March 2021	To present
Li Qin	Guolian Assets Management	Vice Chairman	September 2023	To present
	Guolian HK	Director	February 2020	To present
Yin Lei	Hua Ying Securities	Director	May 2023	To present
	Zhonghai Fund	Director	July 2023	To present
	Guolian Assets Management	Director, Financial Officer	September 2023	To present
Wang Jie	Hua Ying Securities	Director	December 2021	To present
	Guolian Fund	Director	May 2023	To present
	Guolian Assets Management	Supervisor	September 2023	To present
Huang Wei	Hua Ying Securities	Chief Information Officer	May 2023	To present
	Guolian Assets Management	Chief Information Officer	September 2023	To present
Dai Jiechun	Guolian Assets Management	Chief Compliance Officer	September 2023	To present

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

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

#### (I) Basis of Determination

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

#### (II) Decision-making Procedures

The non-executive Directors and non-employee Supervisors of the Company do not receive any remuneration from the Company. The remuneration of independent non-executive Directors of the Company is determined after reviewing by the Remuneration and Nomination Committee and the Board and submitting for approval at the General Meetings with reference to industry average norm. The remuneration of executive Directors of the Company is determined after reviewing by the Remuneration and Nomination Committee and the Board and submitting for approval at the General Meetings. The remuneration of non-employee Supervisors of the Company is determined after reviewing by the Supervisory Committee and submitting for approval at General Meetings, and the remuneration of employee Supervisors is determined and implemented in accordance with the relevant remuneration management system of the Company based on their specific positions held in the Company and their work contents. The remuneration of senior management is determined under the remuneration assessment system of the Company and submitting to the Board of the Company for approval after the consideration and approval of the Remuneration and Nomination Committee of the Board.

#### (III) Non-cash Remuneration Information

During the Reporting Period and up to the date of this report, no non-cash remuneration was ever received by any Directors, Supervisors or senior management of the Company.

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

For details regarding the information of remuneration payment to Directors, Supervisors and senior management of the Company, please refer to the Changes in Shareholdings and Remuneration Information of Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period under this section. The total remuneration of Directors, Supervisors and senior management of the Company in 2023 was RMB17,262,500. For the list of top five staff with highest remuneration and the category of remuneration of senior management, please refer to the note 12 to consolidated financial statements of this report.

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

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

#### (I) Changes of Directors

During the Reporting Period, there was no change in Directors.

#### (II) Changes of Supervisors

During the Reporting Period, there was no change in Supervisors.

#### (III) Changes of Senior Management

On 12 April 2023, the Company convened the seventh meeting of the fifth session of the Board, which considered and approved the Resolution on the Removal of Mr. Wang Jinling as the Chief Information Officer (《關於免去汪錦嶺先生首席信息官職務的議案》), and agreed to remove Mr. Wang Jinling as the chief information officer due to job transfer.

On 27 October 2023, the Company convened the twelfth meeting of the fifth session of the Board, which considered and approved the Resolution on the Appointment of the Chief Information Officer of the Company (《關於聘任公司首席信息官的議案》), and agreed to appoint Mr. Huang Wei (黃葳) as the chief information officer of the Company for a term commencing from the date of consideration and approval by the Board until the date of the term of the fifth session of the Board of the Company expired.

On 27 December 2023, the Company convened the thirteenth meeting of the fifth session of the Board, which considered and approved the Resolution on the Appointment of the Vice President of the Company (《關於聘任公司副總裁的議案》), and agreed to appoint Mr. Xu Chun (徐春) as the vice president of the Company for a term commencing from the date of consideration and approval by the Board until the date of the term of the fifth session of the Board of the Company expired.

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

### V. Biographies of Directors, Supervisors and Senior Management

#### (I) Directors

Mr. Ge Xiaobo (葛小波), born in 1970, Chinese nationality with no right of permanent residency abroad, holds a master's degree in business administration. He is currently the chairman of the Board, the executive Director and the president of the Company, and concurrently serves as the chairman of Hua Ying Securities, the chairman of Guolian HK, the chairman of Guolian Assets Management, a director of Guolian Fund, a member supervisor of SAC, the vice chairman of Development Strategy Committee, the vice chairman of the Exchange Commission of the Shanghai Stock Exchange (上交所交易委員會), a member of Accounting Standards Committee and Capital Market Advisory Committee of the Ministry of Finance, and a member of China Industrial Cooperation Economics Association. He previously served as the manager and senior manager of the investment banking department, sponsor representative, deputy director of the A Shares listing office, deputy general manager and executive general manager of the risk control department, administrative person-in-charge of the trading and derivatives department, planning and finance department, risk management department, and overseas business and fixed income business, a member of the executive committee, the person-in-charge of accounting affairs and chief risk officer of CITIC Securities Co., Ltd. He had concurrently served as the director of CITIC Securities International Limited, CLSA Limited, China Asset Management Co., Ltd., CITIC Securities Investment Co., Ltd., CITIC Private Equity Funds Management Co., Ltd. and Zhonghai Fund, etc., the vice chairman of the innovation committee and the vice chairman of the overseas committee of SAC.

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

Mr. Hua Weirong (華偉榮), born in 1965, Chinese nationality with no right of permanent residency abroad, holds a master's degree in business administration and is a chief senior accountant. He is currently the deputy secretary to the Party Committee and director of Guolian Group, secretary to the Party Committee and director of the Company, director and general manager of Wuxi Guofa Capital Operation Co., Ltd.\* (無錫市國發資本運營有限公司), director and president of Guolian Financial Investment, director and president of Guolian Industrial, and director of China State-owned Enterprise Structural Adjustment Fund Phase II Co., Ltd.\* (中國國有企業結構調整基金二期股份有限公司). He previously served as a clerk of the department of budget management and the department of the comprehensive planning and the deputy section chief of the department of comprehensive planning of Wuxi Finance Bureau (無錫市財政局), department manager, assistant to general manager and deputy general manager of Wuxi Trust Investment Co., Ltd.\* (無錫市信託投資公司), president of the Company, director and vice president of Guolian Group, chairman of the board of Zhonghai Fund, chairman of the board of Guolian Trust, director of China Asset Management Co., Ltd., director and chairman of the board of Wuxi Guolian Venture Capital Co., Ltd.\* (無錫國聯創業投資有限公司), director of Wuxi Rural Commercial Bank Co., Ltd.\* (無錫農村商業銀行股份有限公司), director of Jiangsu Yixing Rural Commercial Bank Co., Ltd.\* (江蘇宜興農村商業銀行股份有限公司), director and chairman of the board of Jiangsu Asset Management Co., Ltd.\* (江蘇資產管理有限公司), director and chairman of the board of Wuxi Baolian Investment Co., Ltd.\* (無錫市寶聯投資有限公司), director and chairman of the board of Wuxi Delian Investment Co., Ltd.\* (無錫市德聯投資有限公司), director and chairman of the board of Wuxi Liantai Venture Capital Co., Ltd.\* (無錫聯泰創業投資有限公司), chairman of the board of Guolian Life Insurance Co., Ltd.\* (國聯人壽保險股份有限公司), chairman of the board of Guolian Financial Holding Group Co., Limited\* (國聯金融控股集團有限公司) and chairman of the board of Wuxi Guolian Industrial Investment Co., Ltd.\* (無錫國聯產業投資有限公司), the legal representative of Guolian Industrial, the legal representative of Guolian Financial Investment, the chairman of the board and legal representative of Wuxi Guofa Capital Operation Co., Ltd., the legal representative and president of Guolian Group and the director of V-Capital Co., Ltd.\* (一村資本有限公司).

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

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

Mr. Wu Weihua (吳衛華), born in 1978, Chinese nationality with no right of permanent residency abroad, holds a master's degree and is an intermediate economist. He is currently the general manager of the strategic development department of Guolian Group, director of Guolian Financial Investment, director of Wuxi Nianhuawan Cultural Investment Development Co., Ltd. (無錫拈花灣文化投資發展有限公司), director of Huaguang Environmental, director of Guolian Life Insurance Co., Ltd.\* (國聯人壽保險股份有限公司), director of Guolian Trust, chairman of the board of Wuxi Liantai Venture Capital Co., Ltd.\* (無錫聯泰創業投資有限公司), chairman of the board of Wuxi Delian Investment Co., Ltd.\* (無錫市德聯投資有限公司), chairman of the board of Wuxi Baolian Investment Co., Ltd.\* (無錫市寶聯投資有限公司), director of Hua Hong Semi-Conductor (Wuxi) Co., Ltd.\* (華虹半導體(無錫)有限公司), director of Hua Hong Semi-Conductor Manufacturing (Wuxi) Co., Ltd.\* (華虹半導體製造(無錫)有限公司), chairman of the board and general manager of Wuxi Xihong Guoxin Investment Co., Ltd.\* (無錫錫虹國芯投資有限公司), etc., and has been a Director of the Company since October 2022. He previously served as the assistant manager, deputy manager of the investment and development department, deputy director of the office, deputy general manager of the financial investment management department of Guolian Group, general manager, executive director and chairman of the board of Wuxi Equity Exchange Co., Ltd.

Ms. Li Suo (李梭), born in 1980, Chinese nationality with no right of permanent residency abroad, holds a bachelor's degree and is a certified public accountant, certified tax agent, senior accountant and intermediate economist. She is currently the general manager of the auditing department of Guolian Group, and has been a Director of the Company since October 2022. She previously served as staff of Jiangsu Dadi Foods Group\* (江蘇大地食品集團), cost accountant, cost supervisor and group financial supervisor of Jiangsu Tiandi Steel Structure Engineering Group\* (江蘇天地鋼結構工程集團), finance manager of Shanghai Tiandi Steel Structure Engineering Co., Ltd.\* (上海天地鋼結構工程有限公司), financial general staff, assistant to general manager and deputy general manager of finance and accounting department of Guolian Group, chief finance officer of Zhongshe Guolian Wuxi New Energy Development Co., Ltd. (中設國聯無錫新能源發展有限公司) and director of Bridgelux Optoelectronics (Xiamen) Co., Ltd.\* (普瑞光電(廈門)股份有限公司).

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

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

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

Mr. Chu, Howard Ho Hwa (朱賀華), born in 1964, a resident of Hong Kong, China, holds a master's degree in business administration. He is currently a fund partner of Go Capital Limited, an independent non-executive director of BOE Varitronix Limited (0710.HK) and an independent non-executive director of Crypto Flow Technology Limited (8198.HK), and has been an independent non-executive Director of the Company since June 2019. He previously served as the director of ABN AMRO Asia Corporate Finance Ltd., co-CEO and co-founder of Hong Kong MyRice.com, director of HSBC Investment Bank, chief investment officer of Shanghai Century Acquisition Corporation, assistant to chairman of United Energy Group Limited (0467.HK), chief financial officer of Trony Solar (2468.HK, delisted), independent non-executive director of Directel Holdings Limited (8337.HK), independent non-executive director of China Kingstone Mining Holdings Limited (1380.HK), chief financial officer of China Smart Electric Group Limited\* (中國智能電氣集團有限公司), independent non-executive director of Weichai Power Co., Ltd. (2338.HK) and the chief executive officer of mReferral Corporation (HK) Limited.

Mr. Gao Wei (高偉), born in 1966, Chinese nationality with no right of permanent residency abroad, holds a degree of doctor of laws and the Chinese lawyer qualification certificate. He is currently the chief representative of Beijing Representative Office of The Hong Kong Chartered Governance Institute, company secretary of Zhongguancun Science-Tech Leasing Co., Ltd. (1601.HK), independent non-executive director of Best Mart 360 Holdings Limited, arbitrator of China International Economic and Trade Arbitration Commission, China Maritime Arbitration Commission, Beijing Arbitration Commission and Shanghai Arbitration Commission, and has been an independent non-executive Director of the Company since October 2022. He previously served as the director, general manager and legal representative of Sinotrans Air Transportation Development Company Limited (600270.SH, delisted), secretary to the board and general counsel of Sinotrans Limited (0598.HK), secretary to the board and financial officer of Zhongguancun Science-Tech Leasing Co., Ltd., one of the vice-chairmen of the Board Secretary Committee of China Association for Public Companies and a council member and vice chairman of The Hong Kong Chartered Governance Institute.

### (II) Supervisors

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

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

Mr. Xu Kan (徐看), born in 1989, Chinese nationality with no right of permanent residency abroad, holds a master's degree and is an engineer. He is currently the securities representative of Wuxi Weifu High-technology Group Co., Ltd.\* (無錫威孚高科技集團股份有限公司) and the deputy director of the Board of Directors Office, and has been a Supervisor of the Company since October 2022. He previously served as the engineer and supervisor engineer of Wuxi Weifu Automotive Diesel System Co., Ltd.\* (無錫威孚汽車柴油系統有限公司), secretary supervisor for confidential matters of the administration department, and strategic planning director of the strategy and new business department of Wuxi Weifu High-technology Group Co., Ltd.\* (無錫威孚高科技集團股份有限公司).

Ms. Xu Jingyan (徐靜艷), born in 1978, Chinese nationality with no right of permanent residency abroad, holds a bachelor's degree. She is currently the head of the investment and development department and director of Wuxi Municipal Xinfu Group Limited\* (無錫市新發集團有限公司), and has been a Supervisor of the Company since October 2022. She previously served as a staff member of the Finance Bureau of Wuxi New District Management Committee (無錫新區管委會財政局), an accountant, the head of the accounting and audit division of the financial investment management department, the assistant to the director of the investment management department, the deputy director of the investment management department, and the deputy director of the asset management department of Wuxi New District Economic Development Group Corporation (無錫市新區經濟發展集團總公司), deputy general manager of Wuxi High-Tech Industrial Development Co., Ltd.\* (無錫高新技術產業發展股份有限公司), general manager of Wuxi Xinlianfa Property Management Co., Ltd.\* (無錫新聯發物業管理有限公司), chairlady and legal representative of Wuxi Zhongxin Real Estate Co., Ltd.\* (無錫眾信置業有限公司).

Ms. Wu Lingyun (伍凌雲), born in 1975, Chinese nationality with no right of permanent residency abroad, holds a bachelor's degree and is an intermediate accountant. She is currently the administrative person-in-charge of the Auditing Department of the Company, and has been an employee representative Supervisor of the Company since October 2022. She previously served as a cost accountant of the finance department of Wuxi Property Corporation\* (無錫市物產總公司), auditor of the business department of Wuxi Puxin Certified Public Accountants Co., Ltd.\* (無錫普信會計師事務所有限公司), head of the financial and accounting department, department manager of the depository center and deputy general manager of the operation management headquarter of the Company.

Mr. Zhou Min (周敏), born in 1983, Chinese nationality with no right of permanent residency abroad, and holds a bachelor's degree. He is currently the deputy head of the party committee office of the Company, and has been an employee representative Supervisor of the Company since October 2022. He previously served as a copywriting planner of the planning department of Yixing Zhongtaoyifeng Culture Media Co., Ltd.\* (宜興市中陶藝風文化傳媒有限公司), marketing planner of the marketing planning department of Wuxi Chuangdian Marketing Planning Co., Ltd.\* (無錫市創點營銷策劃有限公司), marketing planner of the development and planning department of the brokerage business management headquarter, office publicity planner and publicity manager of the party committee office of the Company, and the publicity manager of the party committee office of Guolian Group.



## Section 7 Information of Directors, Supervisors, Senior Management and Staff

### (III) Senior Management

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

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

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

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

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

Mr. Yin Lei (尹磊), born in 1970, Chinese nationality with no right of permanent residency abroad, holds a master's degree in accounting and holds the Chinese Certified Public Accountant Certificate. He is currently the vice president cum financial officer of the Company, and concurrently serves as a director of Hua Ying Securities, a director of Zhonghai Fund, and a director and the financial officer of Guolian Assets Management. He previously served as cashier, audit accountant, accounting officer and executive general manager of the planning and finance department of CITIC Securities Co., Ltd.; general manager and chief financial officer of the planning and finance department of CITIC Jintong Securities Co., Ltd.; assistant president, member of executive committee, vice president and financial officer of Founder Securities Co., Ltd.

Mr. Xu Chun (徐春), born in 1987, Chinese nationality with no right of permanent residency abroad, holds a master's degree in science, a non-practice membership certificate of the Chinese Institute of Certified Public Accountants and a legal profession qualification certificate. He is currently the vice president of the Company and the administrative officer of the Research Institute. He previously served as an industry researcher, deputy general manager and general manager of the Research Institute in Changjiang Securities Co., Ltd.\* (長江證券股份有限公司).

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

Mr. Huang Wei (黃葳), born in 1978, Chinese nationality with no right of permanent residency abroad, holds a master's degree in business administration. He is currently the chief information officer of the Company and the administrative officer of the Information Technology Headquarters (Head), and concurrently serves as the chief information officer of Hua Ying Securities and Guolian Assets Management. He previously served as the assistant general manager of the information technology headquarters in Soochow Securities Co., Ltd.\* (東吳證券股份有限公司), and deputy general manager (responsible for daily operations) of the information technology department and e-commerce department in Soochow Life Insurance Co., Ltd.\* (東吳人壽保險股份有限公司).

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

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

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

### (I) Staff

Items	Number of Staff
Number of employees in parent company	2,678
Number of employees in major subsidiaries	908
Total number of employees	3,586
Number of retired employees whose parent company and major subsidiaries undertake the expenses	96

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

Professional Structure	
Professional Category	Number of Professionals
Brokerage business	1,882
Investment banking business	496
Assets management business	145
Proprietary trading business	112
Credit transactions business	17
Research business	134
Institutional sales business	47
Information technology	146
Planning and finance	58
Other business and administration staff	549
Total	3,586

Education Background	
Education Background Category	Number of Staff (Headcount)
Doctoral Degree	37
Master's Degree	1,474
Bachelor's Degree	1,890
College Degree and below	185
Total	3,586

## Section 7 Information of Directors, Supervisors, Senior Management and Staff

### (II) Staff Remuneration and Welfare Policy

Guided by the concepts of sound operation and sustainable development, the Company integrates the cultural concepts of “compliance, integrity, professionalism and stability” into its remuneration management, and aligns the remuneration of its employees closely with the Company’s economic benefits, the effectiveness of compliance and risk control, as well as the duties and performance of their positions. The salary of the Company’s employees consists of fixed salary, performance bonus, insurance benefits and allowances. The Company continues to optimise and improve its salary system. Fixed salaries are determined on the comprehensive basis of the value of the employees’ positions, professional competence, value contribution and the market salary standard. Performance bonuses are linked to the Company’s operating results and compliance and risk control performance for the year, and are allocated subject to the amount approved by the Board, taking into account departmental performance, individual performance, compliant practice, risk control, honesty in practice, professional ethics, and the building of corporate culture. The Company has effectively implemented the deferred remuneration policy in strict accordance with the requirements of the law.

The Company has always concerned about employee health and constantly improved the welfare protection system. The Company also provides employees with statutory social insurance and provident fund in strict compliance with the relevant provisions of state laws and regulations, and supplemented by the corporate annuity plan and supplementary medical insurance to provide employees with more comprehensive welfare guarantee.

### (III) Gender Diversity of the Employees

The Company attaches great importance to the gender diversity of employees. As of the end of the Reporting Period, the proportions of male employees and female employees (including senior management) of the Company were 52.20% and 47.80% respectively, and the gender diversity of the employees (including senior management) of the Company has been achieved. The Company will continue to implement measures to support gender diversity of employees.

## Section 8 Corporate Governance Report

The Company has adopted various policies to ensure compliance with the code provisions in force of CG Code under Appendix C1 (previous Appendix 14 ) of the Listing Rules.

### I. Corporate Governance Overview

As a company with its A Shares listed in the PRC and its H Shares listed in Hong Kong, the Company has operated in strict compliance with laws, regulations and normative documents at the places of listing, and kept committed to maintaining and improving its sound social image. The Company adheres to the business philosophy of “honesty, stability, openness and innovation” and the core value of “All for You” to better serve the real economy and social wealth management, actively fulfills corporate social responsibility, incorporates culture building into the Company's Articles of Association and corporate governance, protects the legitimate rights and interests of investors and seeks to maximize the long-term interests of shareholders. Pursuant to the Company Law, the Securities Law and other applicable laws, regulations and regulatory provisions, the Company has formed a corporate governance structure under which the General Meeting, Board, Supervisory Committee, and the management have their powers separated for checks and balances and perform their respective duties, so as to ensure regulated operation of the Company. The convening and voting procedures for General Meetings and meetings of the Board and Supervisory Committee are legal and valid; the information disclosed by the Company is true, accurate and complete and is disclosed in time; the management of investor relations is efficient and practical; and the corporate governance is based on scientific, rigorous and normative procedures. As at the end of the Reporting Period, the Company has strictly complied with the CG Code, complied with other code provisions and principles in force other than certain code provisions mentioned below and satisfied with the requirements for most of the code provisions and recommended best practices specified in Part 2 of the CG Code.

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

During the Reporting Period, the Company convened the first extraordinary general meeting for the year 2023, the second extraordinary general meeting for the year 2023, the annual general meeting for the year 2022, the third extraordinary general meeting for the year 2023, the first class meeting for A shareholders for the year 2023, the first class meeting for H shareholders for the year 2023, ten Board meetings and seven Supervisory Committee meetings.

## Section 8 Corporate Governance Report

### (I) General Meetings

1. The first extraordinary general meeting for the year 2023 was convened on 4 January 2023, which considered and approved the following: Resolution on the Amendments to the Articles of Association and its Attachments (《關於修訂〈公司章程〉及其附件的議案》).
2. The second extraordinary general meeting for the year 2023 was convened on 17 March 2023, which considered and approved the following: Resolution on the Argumentative Analysis Report regarding the Issuance of A Shares Proposal to Specific Subscribers by the Company (《關於公司向特定對象發行A股股票方案的論證分析報告的議案》).
3. The annual general meeting for the year 2022 was convened on 23 May 2023, which considered and approved the followings: Work Report of the Board of Directors for the Year 2022 (《2022年度董事會工作報告》), Work Report of the Supervisory Committee for the Year 2022 (《2022年度監事會工作報告》), Duty Report of the Independent Directors for the Year 2022 (《2022年度獨立董事述職報告》), Annual Report for the Year 2022 (《2022年年度報告》), Final Accounts Report for the Year 2022 (《2022年度財務決算報告》), Profit Distribution Plan for the Year 2022 (《2022年度利潤分配方案》), Resolution on the Re-appointment of Audit Institutions of the Company for the Year 2023 (《關於續聘公司2023年度審計機構的議案》), Resolution on the Remuneration Distribution of Directors for the Year 2022 (《2022年度董事薪酬分配議案》), Resolution on the Remuneration Distribution of Supervisors for the Year 2022 (《2022年度監事薪酬分配議案》), Resolution on the Proprietary Business Scale of the Company for the Year 2023 (《關於公司2023年自營業務規模的議案》) and Resolution on the Estimated Ordinary Related Party Transactions of the Company for the Year 2023 (《關於預計公司2023年度日常關聯交易的議案》).
4. The third extraordinary general meeting for the year 2023 was convened on 12 October 2023, which considered and approved the followings: Resolution on the Formulation of Duty Performance Assessment and Remuneration Management System for Directors and Supervisors of Guolian Securities Co., Ltd. (《關於制定〈國聯證券股份有限公司董事、監事履職考核與薪酬管理制度〉的議案》), Resolution on the Amendments to the Policy on the Management of the Related Party Transactions (《關於修訂關聯交易管理制度的議案》), Resolution on the Application for Qualifications of Stock Options Market-making and Listed Securities Market-making Trading Businesses and Expansion of Business Scope (《關於申請股票期權做市及上市證券做市交易業務資格暨增加業務範圍的議案》), Resolution on the Shareholders' Return Plan for the Next Three Years (2024-2026) (《關於未來三年(2024年-2026年)股東回報規劃的議案》) and Resolution on the Extension of Validity Period of Resolution and Authorization of the Shareholders' General Meeting to Issue A Shares to Specific Subscribers (《關於延長向特定對象發行A股股票股東大會決議有效期及授權有效期的議案》).

## Section 8 Corporate Governance Report

5. The first class meeting for A shareholders for the year 2023 was convened on 12 October 2023, which considered and approved the following: Resolution on the Extension of Validity Period of Resolution and Authorization of the Shareholders' General Meeting to Issue A Shares to Specific Subscribers (《關於延長向特定對象發行A股股票股東大會決議有效期及授權有效期的議案》).
6. The first class meeting for H shareholders for the year 2023 was convened on 12 October 2023, which considered and approved the following: Resolution on the Extension of Validity Period of Resolution and Authorization of the Shareholders' General Meeting to Issue A Shares to Specific Subscribers (《關於延長向特定對象發行A股股票股東大會決議有效期及授權有效期的議案》).

### (II) Board Meetings

1. The fourth meeting of the fifth session of the Board was convened on 7 February 2023, which considered and approved the followings: Resolution on the Execution of the Property Requisition Compensation Agreement (《關於簽訂房屋徵收補償協議的議案》), Resolution on De-registration of Two Securities Branches (《關於撤銷2家證券營業部的議案》) and Resolution on the Acquisition of the 100% Equity Interests in ZhongRong Fund (《關於收購中融基金100%股權的議案》).
2. The fifth meeting of the fifth session of the Board was convened on 21 February 2023, which considered and approved the followings: Resolution on the Argumentative Analysis Report regarding the Issuance of A Shares Proposal to Specific Subscribers by the Company (《關於公司向特定對象發行A股股票方案的論證分析報告的議案》) and Resolution on the Convening of the Second Extraordinary General Meeting for the Year 2023 (《關於召開2023年第二次臨時股東大會的議案》).



## Section 8 Corporate Governance Report

3. The sixth meeting of the fifth session of the Board was convened on 28 March 2023, which considered and approved the followings: Work Report of the Board of Directors for the Year 2022 (《2022年度董事會工作報告》), Work Report of the President for the Year 2022 (《2022年度總裁工作報告》), Annual Report for the Year 2022 (《2022年年度報告》), Report on Performance of Audit Committee of the Board for the Year 2022 (《董事會審計委員會2022年度履職情況報告》), Duty Report of the Independent Directors for the Year 2022 (《2022年度獨立董事述職報告》), Resolution on the Remuneration Distribution of Directors and Senior Management for the Year 2022 (《2022年度董事、高管薪酬分配議案》), Assessment Report for the Compliance Director of the Board for the Year 2022 (《董事會關於2022年度合規總監的考核報告》), Social Responsibility and Environmental, Social and Governance Report for the Year 2022 (《2022年度社會責任暨環境、社會及管治報告》), Resolution on the Estimated Ordinary Related Party Transactions of the Company for the Year 2023 (《關於預計公司2023年度日常關聯交易的議案》), Final Accounts Report for the Year 2022 (《2022年度財務決算報告》), Profit Distribution Plan for the Year 2022 (《2022年度利潤分配方案》), Resolution on the Re-appointment of Audit Institutions for the Year 2023 (《關於續聘2023年度審計機構的議案》), Report on Comprehensive Risk Management for the Year 2022 (《2022年度全面風險管理報告》), Risk Preference and Risk Tolerance for the Year 2023 (《2023年風險偏好及風險容忍度》), Resolution on the Proprietary Business Scale of the Company for the Year 2023 (《關於公司2023年自營業務規模的議案》), Report on the Compliance Management for the Year 2022 (《2022年度合規管理工作報告》), Report on Anti-Money Laundering for the Year 2022 (《2022年度反洗錢工作報告》), Internal Control Evaluation Report for the Year 2022 (《2022年度內部控制評價報告》), Resolution on the Proposal for Considering the Special Audit Report on Major Related Party Transactions of the Company for the Year 2022 (《關於提請審議公司2022年度重大關聯交易專項審計報告的議案》), Special Report on Information Technology Management for the Year 2022 (《2022年度信息技術管理專項報告》), Resolution on the Convening of Annual General Meeting for the Year 2022 (《關於召開2022年度股東大會的議案》), Resolution on the Establishment of New Securities Branches and Branch Offices in Zhejiang Province (《關於在浙江省新設證券營業部及分公司的議案》) and Resolution on the Application for Write-off of Accounts for Stock Pledged Risk Items (《關於申請股質風險項目賬面核銷的議案》).
4. The seventh meeting of the fifth session of the Board was convened on 12 April 2023, which considered and approved the following: Resolution on the Removal of Mr. Wang Jinling as the Chief Information Officer (《關於免去汪錦嶺先生首席信息官職務的議案》).

## Section 8 Corporate Governance Report

5. The eighth meeting of the fifth session of the Board was convened on 28 April 2023, which considered and approved the followings: 2023 First Quarterly Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2023年第一季度報告》), Resolution on the Strategic Development Planning on Network and Information Technology of Guolian Securities Co., Ltd. (2023-2025) (《關於〈國聯證券股份有限公司網絡與信息科技戰略發展規劃(2023-2025)〉的議案》) and Resolution on the Adjustment of the Organisational Structure of Wealth Management Business of the Company (《關於公司財富管理業務組織架構調整的議案》).
6. The ninth meeting of the fifth session of the Board was convened on 31 May 2023, which considered and approved the following: Resolution on De-registration of One Securities Branch (《關於撤銷1家證券營業部的議案》).
7. The tenth meeting of the fifth session of the Board was convened on 9 June 2023, which considered and approved the followings: Resolution on the Reduction of the Total Proceeds from the Issuance of A Shares to Specific Subscribers by the Company and Adjustment to the Issuance Proposal (《關於調減公司向特定對象發行A股股票募集資金總額暨調整發行方案的議案》), Resolution on Plan for the Issuance of A Shares to Specific Subscribers by the Company (Revised Version) (《關於公司向特定對象發行A股股票預案(修訂稿)的議案》), Resolution on the Dilution of Current Returns by the Issuance of A Shares to Specific Subscribers by the Company and Remedial measures (Revised Version) (《關於公司向特定對象發行A股股票攤薄即期回報及填補措施(修訂稿)的議案》), Resolution on the Argumentative Analysis Report regarding the Issuance of A Shares Proposal to Specific Subscribers by the Company (Revised Version) (《關於公司向特定對象發行A股股票方案的論證分析報告(修訂稿)的議案》) and Resolution on the Feasibility Report for the Use of Proceeds from the Issuance of A Shares to Specific Subscribers by the Company (Revised Version) (《關於公司向特定對象發行A股股票募集資金使用的可行性報告(修訂稿)的議案》).

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8. The eleventh meeting of the fifth session of the Board was convened on 29 August 2023, which considered and approved the followings: 2023 Interim Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2023年半年度報告》), Resolution on the Consideration of 2023 Interim Report on Comprehensive Risk Management of Guolian Securities Co., Ltd. (《關於審議〈國聯證券股份有限公司2023年度中期全面風險管理報告〉的議案》), Resolution on the Application for Qualifications of Stock Options Market-making and Listed Securities Market-making Trading Businesses and Expansion of Business Scope (《關於申請股票期權做市及上市證券做市交易業務資格暨增加業務範圍的議案》), Resolution on the Public Welfare Donation Plan for Fulfilment of Corporate Social Responsibilities of Guolian Securities for the Year 2023 (《關於國聯證券2023年度履行企業社會責任公益捐贈方案的議案》), Resolution on the Shareholders' Return Plan for the Next Three Years (2024-2026) (《關於未來三年(2024年-2026年)股東回報規劃的議案》), Resolution on the Extension of Validity Period of Resolution and Authorization of the Shareholders' General Meeting to Issue A Shares to Specific Subscribers (《關於延長向特定對象發行A股股票股東大會決議有效期及授權有效期的議案》), Resolution on the New Establishment and De-registration of Securities Branches (《關於新設及撤銷證券營業部的議案》), Resolution on the Formulation of Duty Performance Assessment and Remuneration Management System for Directors and Supervisors of Guolian Securities Co., Ltd. (《關於制訂〈國聯證券股份有限公司董事、監事履職考核與薪酬管理制度〉的議案》), Resolution on the Amendments to the Management Rules on the Shares of the Company Held by Directors, Supervisors and Senior Management of Guolian Securities Co., Ltd. and the Changes Thereof (《關於修訂〈國聯證券股份有限公司董事、監事和高級管理人員所持公司股份及其變動管理制度〉的議案》), Resolution on the Amendments to the Policy on the Management of the Related Party Transactions (《關於修訂關聯交易管理制度的議案》) and Resolution on the Convening of the Third Extraordinary General Meeting for the Year 2023, the First Class Meeting for A Shareholders for the Year 2023 and the First Class Meeting for H Shareholders for the Year 2023 of the Company (《關於召開公司2023年第三次臨時股東大會、2023年第一次A股類別股東大會和2023年第一次H股類別股東大會的議案》).
9. The twelfth meeting of the fifth session of the Board was convened on 27 October 2023, which considered and approved the followings: 2023 Third Quarterly Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2023年第三季度報告》), Resolution on the Renewal of Providing Guarantee for Guolian Securities (Hong Kong) Limited (《關於為國聯證券(香港)有限公司提供擔保續期的議案》), Resolution on the Establishment of Guolian CMS Tech Fund and Related Party Transaction (《關於設立國聯招證科創基金暨關聯交易的議案》) and Resolution on the Appointment of the Chief Information Officer of the Company (《關於聘任公司首席信息官的議案》).

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10. The thirteenth meeting of the fifth session of the Board was convened on 27 December 2023, which considered and approved the followings: Resolution on the Renewal of the Continuous Related Party Transaction Framework Agreement with Guolian Group and the Determination of the Annual Caps (《關於與國聯集團續簽持續性關聯交易框架協議並確定年度上限的議案》), Resolution on the Leasing and Renovation of Tower B of Shanghai Star Cube Building and Related Party Transaction (《關於上海星立方大廈B棟租賃與裝修暨關聯交易的議案》), Resolution on the Amendments to the Implementation Measures for the System of “Three Major and One Significant” of Guolian Securities Co., Ltd. (《關於修訂〈國聯證券股份有限公司「三重一大」決策制度實施辦法〉的議案》), Resolution on the Amendments to the Management Measures for Honest Employment of Guolian Securities Co., Ltd. (《關於修訂〈國聯證券股份有限公司廉潔從業管理辦法〉的議案》), Resolution on the Appointment of the Vice President of the Company (《關於聘任公司副總裁的議案》) and Resolution on the Planning for the Construction of the Company's Network (《關於公司網點建設規劃的議案》).

### (III) Supervisory Committee Meetings

1. The third meeting of the fifth session of the Supervisory Committee was convened on 21 February 2023, which considered and approved the following: Resolution on the Argumentative Analysis Report regarding the Issuance of A Shares Proposal to Specific Subscribers by the Company (《關於公司向特定對象發行A股股票方案的論證分析報告的議案》).
2. The fourth meeting of the fifth session of the Supervisory Committee was convened on 28 March 2023, which considered and approved the followings: Annual Report for the Year 2022 (《2022年年度報告》), Social Responsibility and Environmental, Social and Governance Report for the Year 2022 (《2022年度社會責任暨環境、社會及管治報告》), Resolution on the Estimated Ordinary Related Party Transactions of the Company for the Year 2023 (《關於預計公司2023年度日常關聯交易的議案》), Final Accounts Report for the Year 2022 (《2022年度財務決算報告》), Profit Distribution Proposal for the Year 2022 (《2022年度利潤分配預案》), Report on Comprehensive Risk Management for the Year 2022 (《2022年度全面風險管理報告》), Report on the Compliance Management for the Year 2022 (《2022年度合規管理工作報告》), Report on Anti-Money Laundering for the Year 2022 (《2022年度反洗錢工作報告》), Internal Control Evaluation Report for the Year 2022 (《2022年度內部控制評價報告》), Resolution on the Proposal for Considering the Special Audit Report on Major Related Party Transactions of the Company for the Year 2022 (《關於提請審議公司2022年度重大關聯交易專項審計報告的議案》), Work Report of the Supervisory Committee for the Year 2022 (《2022年度監事會工作報告》), Resolution on the Remuneration Distribution of Supervisors for the Year 2022 (《2022年度監事薪酬分配議案》) and Resolution on the Application for Write-off of Accounts for Stock Pledged Risk Items (《關於申請股質風險項目賬面核銷的議案》).

## Section 8 Corporate Governance Report

3. The fifth meeting of the fifth session of the Supervisory Committee was convened on 28 April 2023, which considered and approved the followings: 2023 First Quarterly Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2023年第一季度報告》).
4. The sixth meeting of the fifth session of the Supervisory Committee was convened on 9 June 2023, which considered and approved the followings: Resolution on the Reduction of the Total Proceeds from the Issuance of A Shares to Specific Subscribers by the Company and Adjustment to the Issuance Proposal (《關於調減公司向特定對象發行A股股票募集資金總額暨調整發行方案的議案》), Resolution on Plan for the Issuance of A Shares to Specific Subscribers by the Company (Revised Version) (《關於公司向特定對象發行A股股票預案(修訂稿)的議案》), Resolution on the Dilution of Current Returns by the Issuance of A Shares to Specific Subscribers by the Company and Remedial measures (Revised Version) (《關於公司向特定對象發行A股股票攤薄即期回報及填補措施(修訂稿)的議案》), Resolution on the Argumentative Analysis Report regarding the Issuance of A Shares Proposal to Specific Subscribers by the Company (Revised Version) (《關於公司向特定對象發行A股股票方案的論證分析報告(修訂稿)的議案》) and Resolution on the Feasibility Report for the Use of Proceeds from the Issuance of A Shares to Specific Subscribers by the Company (Revised Version) (《關於公司向特定對象發行A股股票募集資金使用的可行性報告(修訂稿)的議案》).
5. The seventh meeting of the fifth session of the Supervisory Committee was convened on 29 August 2023, which considered and approved the followings: 2023 Interim Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2023年半年度報告》), Resolution on the Shareholders' Return Plan for the Next Three Years (2024-2026) (《關於未來三年(2024年-2026年)股東回報規劃的議案》), Resolution on the Formulation of Duty Performance Assessment and Remuneration Management System for Directors and Supervisors of Guolian Securities Co., Ltd. (《關於制訂〈國聯證券股份有限公司董事、監事履職考核與薪酬管理制度〉的議案》) and Resolution on the Consideration of 2023 Interim Report on Comprehensive Risk Management of Guolian Securities Co., Ltd. (《關於審議〈國聯證券股份有限公司2023年度中期全面風險管理報告〉的議案》).
6. The eighth meeting of the fifth session of the Supervisory Committee was convened on 27 October 2023, which considered and approved the followings: 2023 Third Quarterly Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2023年第三季度報告》).
7. The ninth meeting of the fifth session of the Supervisory Committee was convened on 27 December 2023, which considered and approved the following: Resolution on the Renewal of the Continuous Related Party Transaction Framework Agreement with Guolian Group and the Determination of the Annual Caps (《關於與國聯集團續簽持續性關聯交易框架協議並確定年度上限的議案》).

### III. Board of Directors

#### Composition of the Board

As at the end of the Reporting Period, the fifth session of the Board comprised nine Directors, including one executive Director, namely Mr. Ge Xiaobo (Chairman, President), five non-executive Directors, namely Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Wu Weihua, Ms. Li Suo and Mr. Liu Hailin, and three independent non-executive Directors, namely Mr. Wu Xingyu, Mr. Chu, Howard Ho Hwa and Mr. Gao Wei.

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

#### (I) Chairman and President

Pursuant to Code Provision C.2.1 in Part 2 of the CG Code, the role of chairman and president should be segregated and should not be performed by the same individual. During the Reporting Period, Mr. Ge Xiaobo served as both the chairman and president of the Company, which enhanced the execution of the Company's development strategy and facilitated the communication between the Board and senior management, despite deviating from Code Provision C.2.1 in Part 2 of the CG Code, under the supervision of the Board which comprises of one executive Director, five non-executive Directors and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

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

As at the end of the Reporting Period, the Company had five non-executive Directors and three independent non-executive Directors. The Company entered into a service contract with each non-executive Director and independent non-executive Director, the term of which commences from 20 October 2022 and will end till the expiration of term of the fifth session of the Board.

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

### (III) Relationship Between Board Members

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

### (IV) Roles and Responsibilities of the Board

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

## Section 8 Corporate Governance Report

### (V) Respective Duties of the Board and the Management

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

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

The Company has formulated internal policies (including but not limited to the Articles of Association, the Rules of Procedures of the Board and the Terms of Reference and Procedures of the Board Committee) to ensure that the Board has access to independent views and opinions. These policies cover the Company's procedures and selection criteria for the election and appointment of Directors (including independent non-executive Directors), the abstention mechanism for voting on relevant resolutions of the Board by related Directors, and the special authorities of the independent appointment of external audit institutions and consulting agencies by independent Directors, etc. Upon reviewing the implementation of the aforesaid mechanisms, the Board considers that the aforesaid mechanisms are able to effectively ensure that the Board is provided with independent views and opinions.



## Section 8 Corporate Governance Report

### (VI) Directors' Performance during the Reporting Period

#### 1. Directors' attendance at the meetings

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

Name of Directors	Meetings attended/held during the term of office							General Meetings Attendance Rate
	Board Attendance		Audit Committee	Remuneration and Nomination Committee		Risk Control Committee	Strategy Committee	
	Board	Rate		Nomination Committee	Control Committee	Meetings		
Ge Xiaobo	10/10	100%	N/A	N/A	3/3	3/3	6/6	100%
Hua Weirong	10/10	100%	N/A	5/5	3/3	2/3	6/6	100%
Zhou Weiping	10/10	100%	N/A	N/A	3/3	3/3	6/6	100%
Wu Weihua	10/10	100%	N/A	N/A	N/A	3/3	6/6	100%
Li Suo	10/10	100%	N/A	N/A	N/A	N/A	6/6	100%
Liu Hailin	10/10	100%	N/A	N/A	3/3	N/A	6/6	100%
Wu Xingyu	10/10	100%	5/5	5/5	3/3	N/A	6/6	100%
Chu, Howard Ho Hwa	10/10	100%	5/5	N/A	N/A	3/3	6/6	100%
Gao Wei	10/10	100%	5/5	5/5	N/A	N/A	6/6	100%

- Notes:
1. Mr. Ge Xiaobo is the chairman of the Strategy Committee and the chairman of the Risk Control Committee.
  2. Mr. Gao Wei is the chairman of the Remuneration and Nomination Committee.
  3. Mr. Wu Xingyu is the chairman of the Audit Committee.

#### 2. Directors' Voting

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

## Section 8 Corporate Governance Report

### 3. *Performance of Independent Non-executive Directors*

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

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

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

#### (VII) **Insurance Coverage of Directors**

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

#### (VIII) **Training for Directors**

The Directors confirmed that they had complied with Code Provision C.1.4 in Part 2 of the CG Code in relation to the training of Directors. During the Reporting Period, Mr. Ge Xiaobo, Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Wu Weihua, Ms. Li Suo, Mr. Liu Hailin, Mr. Wu Xingyu, Mr. Chu, Howard Ho Hwa and Mr. Gao Wei attended the guided training under the compliance operation of listed companies.

## Section 8 Corporate Governance Report

### (IX) Board Meetings and Procedures

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

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

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

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

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

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

## Section 8 Corporate Governance Report

### IV. Supervisory Committee

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

Name of Supervisors	Number of meetings required to attend	Number of meetings attended
Xu Faliang	7	7
Xu Kan	7	7
Xu Jingyan	7	7
Wu Lingyun	7	7
Zhou Min	7	7

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

### V. Board Committees

For the purpose of corporate governance, the corporate governance policies formulated by the Company shall state clearly that the Board is responsible for formulating and reviewing corporate governance policies and practices of the Company; reviewing and monitoring training and continuous professional development of the Directors and senior management of the Company; reviewing and monitoring policies and practices of the Company in compliance with laws and regulatory requirements; formulating, reviewing and monitoring the code of conduct and compliance manual for employees and the Directors of the Company; and reviewing the compliance by the Company with the CG Code as set out in Appendix C1 (previous Appendix 14) of the Listing Rules and the disclosures in the Corporate Governance Report.

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

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

## Section 8 Corporate Governance Report

### (I) Audit Committee

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

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

1. to assist the Board in fulfilling its responsibilities by supervising financial and other reporting, and providing an independent review as to the effectiveness of the risk management and internal controls of the Group, and as to the adequacy of the external and internal audits;
2. to be primarily responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of the authorized independent auditors (“External Auditors”), and to approve the remuneration and terms of engagement of External Auditors, and to deal with any questions of their resignation or dismissal;
3. to serve as a focal point for communication between other Directors, External Auditors and IA Staff as regards financial and other reporting, risk management, internal controls, duties of External Auditors and internal auditors or any person responsible for internal audit function (“IA Staff”) and such other matters as the Board may determine from time to time;
4. to review and monitor External Auditors’ independence and objectivity and the effectiveness of the audit procedures in accordance with applicable standards;
5. to review and monitor the effectiveness of the financial control, internal control and risk management systems; and
6. other responsibilities as required in the Terms of Reference of the Audit Committee.

During the Reporting Period, the Audit Committee convened a total of 5 meetings. The Audit Committee mainly discussed and made recommendations to the Board in relation to the Company’s financial reports, the engagement of audit institution, approval of connected transactions, and monitoring of internal control, ensuring the integrity, transparency and consistency of financial reporting disclosures. At the same time, the Audit Committee also performed its duty on reviewing the 2023 annual results and performed other responsibilities as set out in the CG Code.

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### (II) Remuneration and Nomination Committee

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

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

1. to consult the chairman and/or chief executive officer about their remuneration proposals for other executive Directors;
2. to make recommendations to the Board regarding the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for formulating remuneration policy;
3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration packages should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
5. to make recommendations to the Board on the remuneration of non-executive Directors;
6. to review the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
7. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection and of individuals nominated for directorships;
8. to assess the independence of independent non-executive Directors of the Company;
9. to make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors, especially for chairman and chief executive officer; and
10. other responsibilities as required in the Terms of Reference and Procedures of the Remuneration and Nomination Committee.

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During the Reporting Period, the Remuneration and Nomination Committee convened a total of 5 meetings. The Remuneration and Nomination Committee mainly discussed and made recommendations to the Board in relation to the performance appraisal plan and assessment report of senior management and appointment of senior management. For the Board diversity policy of the Company, please refer to the relevant contents in the 14th paragraph of this section.

### (III) Strategy Committee

The Strategy Committee comprises five Directors, namely Mr. Ge Xiaobo (chairman), being an executive Director, Mr. Hua Weirong, Mr. Zhou Weiping and Mr. Wu Weihua, being non-executive Directors, and Mr. Chu, Howard Ho Hwa, being an independent non-executive Director.

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

1. to study and review the strategic development plans of the Company and to make recommendations to the Board;
2. to implement information exchange and research within the industry, understand the development and trend of macro-economy and securities industry and prepare specific strategic reports;
3. to conduct preliminary review of the Company's annual operating plans and strategic capital allocation plans and make recommendations to the Board;
4. to study major investment financing programs which are required to be approved by the Board and the Risk Control Committee as stated in the Articles of Association or in the terms of reference and procedures of the Risk Control Committee and make recommendations to the Board;
5. to study major capital operation and assets management projects which are required to be approved by the Board as stated in the Articles of Association and make recommendations to the Board;
6. to evaluate the balanced development of various business segments and make recommendations to the Board;

## Section 8 Corporate Governance Report

7. to review the major constitutional restructuring and organizational structure plans and make recommendations to the Board;
8. to study other important matters affecting the Company's development and make recommendations to the Board; and
9. other responsibilities as required in the Terms of Reference and Procedures of the Strategy Committee.

During the Reporting Period, the Strategy Committee convened a total of 3 meetings. The Strategy Committee mainly discussed and made recommendations to the Board in relation to the equity acquisition, capital allocation and information technology planning of the Company.

### (IV) Risk Control Committee

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

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

1. to review and give opinion on the overall objectives and basic policies of compliance management and risk management;
2. to review and give opinion on the establishment of specific departments and their duties of compliance management and risk management;
3. to evaluate and give opinion on the risks of the major decisions required to be approved by the Board and solutions to solve such major risks;
4. to review and give opinion on regular compliance reports and risk evaluation reports required to be approved by the Board; and
5. other responsibilities as required in the Terms of Reference and Procedures of the Risk Control Committee.



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During the Reporting Period, the Risk Control Committee convened a total of 3 meetings. The Risk Control Committee mainly discussed and made recommendations to the Board in relation to the equity acquisition, review of policies and practices related to legal and regulatory requirements. At the same time, the Risk Control Committee also performed its duty on review of risk management, revision of the risk preference and improvement of the responsibilities of internal control system and internal audit function.

### VI. Securities Transactions of Directors, Supervisors and Relevant Employees

The Company has adopted the Model Code as set out in Appendix C3 (former Appendix 10) of the Listing Rules as its own code of conduct regarding Directors, Supervisors and relevant employees' securities transactions. Having made specific enquiries with all Directors, Supervisors and relevant employees, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code as of the end of the Reporting Period.

### VII. Remuneration of Senior Management

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

### VIII. Risk Management and Internal Control

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

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

## Section 8 Corporate Governance Report

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

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

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

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

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

## Section 8 Corporate Governance Report

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

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

## IX. Communication with Shareholders

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

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

The Company welcomes all Shareholders to attend General Meetings and facilitates their attendance to the range permitted. The Company's Directors, Supervisors and senior management will attend General Meetings. According to Code Provision F.2.2 in Part 2 of the CG Code, chairman and chairperson of the Audit Committee, Remuneration and Nomination Committee, and other committees of the Board shall attend annual General Meeting and answer questions at the meeting. The management of the Company shall ensure External Auditors to attend annual General Meeting and answer relevant questions put forward by Shareholders.

Upon implementing and reviewing the aforesaid measures, the Company considers that the existing shareholder communication policy is adequate and effective.

### X. Shareholders' Rights

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

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

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

## Section 8 Corporate Governance Report

### XI. Amendments to the Articles of Association

During the Reporting Period, a round of amendments to the Articles of Association were made and were approved at the General Meeting held on 4 January 2023. Details of the amendments are stated in the circular published on the Company's website and the HKEXnews website of the Stock Exchange on 9 December 2022.

### XII. Building of Corporate Culture

By adhering to the overall leadership of the Party, and closely focusing on the industry culture concepts of “compliance, integrity, professionalism and stability”, the Company inherits and promotes the essence of Guolian, which is “making constant efforts and positive progress to achieve innovation, forging ahead and never giving in to difficulties”, and takes “Acting” as the backbone to build a core of the culture brand, endowing new connotations of “integrity, stability, openness and innovation”, and forming the “Acting” culture brand system that integrates service, Party building and honesty.

During the Reporting Period, the Company continued to enhance its cultural brand building, strengthen its internal quality and build up its external image, forming a cultural brand image with distinctive values, aesthetic concepts and behavioural norms with recognition, and promoting the Company's cultural building to be more qualitative, efficient and energetic.

### XIII. Investor Relationship

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

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

### XIV. Company Secretary

Mr. Wang Jie, the Secretary to the Board of the Company, is responsible for making recommendations to the Board for the corporate governance and ensuring the policies and procedures of the Board, applicable laws, rules and regulations are observed. In order to maintain sound corporate governance and comply with the Listing Rules and applicable Hong Kong laws, the company secretary of the Company assists Mr. Wang Jie in fulfilling the duties as the Secretary to the Board of the Company. Ms. Hui Yu (惠宇) and Ms. Zhang Xiao (張瀟) are the joint company secretaries. Ms. Zhang Xiao's primary contact person at the Company is Ms. Hui Yu. As required by Rule 3.29 of the Listing Rules, they have attended not less than 15 hours of relevant professional training as of the end of the Reporting Period.

### XV. Board Diversity Policy

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

The following measurable objectives have been adopted for the implementation of the Board diversity policy: 1) election of Directors should be ensured irrespective of gender, age, cultural background and educational background, and the Board understands the particular importance of gender diversity and strives to increase gender diversity on the Board; 2) candidates for Directors should possess diverse industry experience; and 3) possessing of skills, knowledge and professional experience in different sectors. As of the end of the Reporting Period, these measurable objectives have been achieved.

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

Indicators	Unit	2023
By age group:		
50 or below	Employees	4
51-55	Employees	2
56-60	Employees	3
By gender:		
Male	Employees	8
Female	Employee	1
By types of directors:		
Executive Directors	Employee	1
Non-executive Directors	Employees	5
Independent Non-executive Directors	Employees	3

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

## Section 8 Corporate Governance Report

### XVI. Responsibilities of Directors Concerning Financial Statements

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

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

### XVII. Audit Committee

The Audit Committee of the Board of the Company has reviewed the annual results of the Company and the Group for the year 2023, as well as the audited consolidated financial statements for the year 2023 prepared in accordance with IFRS.

### XVIII. Auditor’s Independence and Remuneration

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

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

Service rendered	Fees paid/payable (in RMB ten thousand)
Audit services	38
Non-audit services	–
Review of the Interim Financial Report	21

### XIX. Other Matters

#### (I) Internal Control

##### 1. Responsibility statement on internal control

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

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

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

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



## Section 8 Corporate Governance Report

### 3. Internal control self-evaluation report

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

### 4. Related information on the internal control auditing report

Deloitte Touche Tohmatsu Certified Public Accountants LLP engaged by the Company has given an audit opinion on the effectiveness of the internal control over the financial reporting of the Company and issued the Internal Control Auditing Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司內部控制審計報告》), which is of the opinion that the Company has maintained effective internal control over financial reporting in all material aspects as of 31 December 2023 in accordance with the Fundamental Norms on Enterprise Internal Control and relevant regulations. The Company disclosed the Internal Control Evaluation Report for the Year 2023 of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2023年度內部控制評價報告》) and the Internal Control Auditing Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司內部控制審計報告》) when disclosing this report, and there was no disagreement.

## (II) Building of Compliance Management System and Compliance Inspection

### 1. Building of compliance management system

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

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

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

## Section 8 Corporate Governance Report

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

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

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

## Section 8 Corporate Governance Report

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

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

### 2. Compliance inspection

The Compliance and Legal Department organized compliance inspections on business departments, branches and subsidiaries in accordance with supervision requirements and inspection plans. In 2023, the Compliance and Legal Department conducted on-site compliance inspections on Asset Management Department, Research Institute, Internet Financing Department, Guolian Capital and Hua Ying Securities, etc. It implemented special inspection on the compliance management work of the Company's suitability management, fund investment advisory business, wealth management line investment advisory business, stock pledged repurchase business and the financing-oriented option exercise business, etc. It implemented compliance inspections on branches such as Beijing Branch, Suzhou Branch, Jiangyin Branch and Fortune Direct Branch (財富直屬營業部). It implemented special inspections on anti-money laundering in branches such as Nanjing Branch, Shanghai Branch, Shenzhen Branch, and Hunan Branch. It also jointly inspected the Information Technology Headquarters with the Auditing Department. Comments or suggestions regarding the problems spotted during the inspection were put forward by the Compliance and Legal Department, which required the inspected department to conduct proactive rectification and give feedback and implement subsequent follow-up works.

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

## Section 8 Corporate Governance Report

### (III) Working Information of the Auditing Department

In 2023, faced with the new situation and new requirements of the Company's development, the Auditing Department, in accordance with the annual business targets, combined with regulatory requirements, reasonably deployed audit resources, optimised audit methods, and paid more attention to new problems and emerging issues in the key business and key areas while performing the traditional auditing business, and increased its efforts in rectification and supervision to achieve the output of audit value and enhance the quality of audit results through conducting a "review" of audit. During the Reporting Period, the Company conducted a total of 64 auditing reports under different aspects, of which, 41 were resignation audit reports, 12 were mandatory off-duty audit reports and 11 were special project inspection. The audit projects covered brokerage business, agency sales of financial products, investment banking business, equity derivatives business, capital operation management, information technology management, risk management, compliance management and internal control. The audit works were conducted through the combination approach of on-site audit and off-site audit, they can objectively reflect the conditions of implementing national laws and regulations, industry standards and corporate system of the auditee and also the operation management conditions. Regarding the problems and deficiencies discovered during audit, the department provides audit rectification measures and suggestions in time, and strives to urge the implementation of audit rectification issues, thereby promoting and supporting the regulated development of the different businesses of the Company.

## Section 9 Environmental and Social Responsibility

### I. Environmental Information

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

As a financial services institution, the energy consumption of the Company mainly comes from electricity and a small amount of natural gas that is consumed in daily operations. Material consumption is mainly the papers used in the office process. The water resources consumption mainly comes from the office sector where we use municipal tap water as the main source, and there is no problem in sourcing water for this purpose. In this regard, the Company has formulated The Management Measures for the Headquarters Office Area (《公司總部辦公區管理辦法》) and requires all departments and divisions to conform, so as to improve the utilization efficiency of energy and resources. At the same time, the Company continues to promote low-carbon office and incorporate low-carbon concepts into the Company's operation and management mechanism. During the Reporting Period, the Company further optimized various measures and implemented resource-saving actions in all aspects of operations.

For details, please refer to the Social Responsibility and Environmental, Social and Governance Report of Guolian Securities Co., Ltd. for the Year 2023 (《國聯證券股份有限公司2023年度社會責任暨環境、社會及管治報告》) disclosed on the HK Stock Exchange at the same time as this report.

### II. Social Responsibility

#### (I) Whether the social responsibility report, sustainability report or ESG report is disclosed separately

For details, please refer to the Social Responsibility and Environmental, Social and Governance Report of Guolian Securities Co., Ltd. for the Year 2023 (《國聯證券股份有限公司2023年度社會責任暨環境、社會及管治報告》) disclosed on the HK Stock Exchange at the same time as this report.

## Section 9 Environmental and Social Responsibility

### (II) Specific details of social responsibilities

External donations, public welfare projects	Quantity/contents	Descriptions
Total investment (In RMB ten thousand)	50	
Of which: Funds (In RMB ten thousand)	37.8	The Company spent RMB20,000 through the “Guolian Securities Public Welfare Fund” to support the Red Cross Society of Xinwu District in the deployment of AEDs; joined hands with Wuxi Volunteer Alliance for the Disabled to hold a charity sale, donating RMB23,000 to the homes for the disabled and disability support organizations in Wuxi; participated in the “Red Cross Humane Ten Thousand People Donation”, donated RMB218,000 in total; and participated in the “Charity Day Donation”, donated RMB117,000 in total.
Equivalent value of materials (In RMB ten thousand)	12.2	The Company donated RMB100,000 of production equipment to the homes of the disabled in Wuxi; delivered RMB22,000 of emergency supplies to the flood-affected people in Fangshan District, Beijing.
Number of beneficiaries (persons)	5,000	

In May, Guolian Securities spent RMB20,000 through the “Guolian Securities Red Cross Public Welfare Fund” to support the Red Cross Society of Xinwu District in carrying out the project of “Xixin Hearts to Guard Disaster Relief Xinwu (錫心守護 救災新吳)” on the “Humanitarian Public Welfare Day of 8 May (5·8人道公益日)”, which was used to provide AEDs (automated external defibrillators) to Xinan Street in Xinwu District.

In May, we held the “Extraordinary Music for a Joyful Investment Future (不同凡響樂投未來)” investment education floral fragrance music festival, inviting the art troupe of Wuxi Volunteer Alliance for the Disabled to perform, integrating investment and education with public welfare, and spreading investment and education knowledge and love.

In June, we actively participated in the “Red Cross Humane Ten Thousand People Donation” jointly initiated by six municipal departments including the Wuxi Municipal Red Cross Society, Municipal Civilisation Office, Municipal Labour Committee of Municipal Party Committee to name a few, with a total donation of RMB218,000 to help with disaster preparedness and relief, humanitarian relief, public welfare social services and other aspects of the work of the Red Cross Society, bringing together the power of humanitarianism and writing a chapter of fraternal love. We signed a

## Section 9 Environmental and Social Responsibility

cooperation agreement on party building and assistance for the disabled with the Wuxi Disabled Persons' Federation (無錫市殘疾人聯合會) to build a public welfare platform for party building and join hands in helping the disabled with employment, docking and support for the homes for the disabled, integration of public welfare with investment and education and the warm home project, etc. We recruited one disabled person for employment, donated RMB100,000 of production equipment to the homes for the disabled, and were awarded the title of "Volunteer Unit for Helping the Disabled in Wuxi (無錫市志願助殘聯盟愛心助殘單位)" by the Wuxi Disabled Persons' Federation.

In July, the investor education base of the Company and the Wuxi Volunteer Alliance for the Disabled jointly held the activity of "Little Entrepreneurs, Charity Fun Stalls (小小創業者, 愛心趣擺攤)" – charity sale public welfare bazaar, with a special financial and business practice class to interpret the responsibility and undertaking of actively participating in charity for the disabled. The RMB23,000 raised from the charity bazaar was all remitted to the homes for the disabled and disability support organizations in Wuxi to assist the disabled in their careers.

In August, the Company delivered RMB22,000 of emergency supplies to the flood-affected people in Fangshan District, Beijing, demonstrating the responsibility of a state-owned enterprise.

In September, the Company organized its employees to participate in the "Charity Day Donation" activities jointly advocated by nine municipal departments including the Propaganda Department of the Municipal Party Committee, the Municipal Civilisation Office and the Municipal Charity Federation to name a few, and donated a total of RMB117,000 to assist the works in relief of hardship of enterprises, entrepreneurship and employment, improvement and protection of people's livelihood.

## Section 9 Environmental and Social Responsibility

### (III) Specific details of consolidating and expanding the achievements in poverty alleviation and rural revitalisation

Poverty alleviation and rural revitalisation projects	Quantity/contents	Descriptions
Total investment (In RMB ten thousand)	210.7	
Of which: Funds (In RMB ten thousand)	209.8	A total of RMB650,000 was invested in five counties under the pairing assistance whose purpose was to get out of poverty by carrying out public welfare assistance moves in the aspects of intellectual assistance, public welfare assistance, cultural assistance, ecological assistance, organizational assistance, etc.; RMB1,098,000 was spent on purchasing agricultural products in Qinghai, Shaanxi, Xinjiang and other regions under pairing assistance, and actively carrying out consumption assistance; RMB100,000 was invested in the construction of the urban heating project; and donations of RMB250,000 were made to the Beijing-Tianjin-Hebei and the Northeastern regions to support flood relief and post-disaster reconstruction.
Equivalent value of materials (In RMB ten thousand)	0.9	100 eye protection lamps, with a total value of RMB9,000, were donated to Aheqi, Xinjiang.
Number of beneficiaries (persons)	4,000	



## Section 9 Environmental and Social Responsibility

In 2023, Guolian Securities actively answered the call to continue the “One Company, One County” assistance campaign, continued its involvement in the “Promotion of Rural Revitalisation Public Welfare Action by the Securities Industry (證券行業促進鄉村振興公益行動)”, took various measures to facilitate the rural revitalisation, and actively engaged in charitable public welfare activities. It initiated the exploration of “Charity + Finance” with Guolian Trust and contributed RMB1.05 million to establish the first charitable trust focusing on paired assistance and rural revitalisation in Wuxi. Guolian Securities carried out public welfare activities in the financial assistance, intellectual assistance, public welfare assistance, cultural assistance, ecological assistance, organizational assistance and consumption assistance aspects in five counties under the pairing assistance to get out of poverty, including Susong in Anhui, Hezhang in Guizhou, Badong in Hubei, Poyang in Jiangxi and Pingchang in Sichuan and areas such as Qinghai, Shaanxi and Xinjiang.

### (I) Continuing the “One Company, One County” paired assistance

1. Financial assistance: It actively served and supported the revitalization and development of the old revolutionary base areas, and successfully completed the listing of IPO of Minami Acoustics (天鍵電聲) in Yudu County, the old revolutionary base area in southern Ganzhou, in June, becoming the first GEM IPO enterprise in the place where the central red army started its long march. Such a project enhanced its brand image and demonstrated its commitment as a state-owned enterprise to serve the national strategy and assist in rural revitalisation.
2. Intellectual assistance: The “Guolian · Youth Education Assistance” assisted students in primary and secondary schools from families with difficulties in Susong County through scholarships to alleviate the burden of study and life. It also assisted Susong County in the “Rural Revitalization and Youth Contribution (鄉村振興青春建功)” campaign to help entrepreneurial youths to enhance their skills and inject powerful youthful strength into rural revitalisation.
3. Consumption assistance: It actively implemented the essence of General Secretary Xi Jinping’s important instructions on deepening the coordination between eastern and western China and targeted assistance works, and responded to the call of the Wuxi Federation of Trade Unions by spending RMB1.098 million to purchase agricultural products in Qinghai, Shaanxi, Xinjiang and other regions under paring assistance, which helped to consolidate the achievements of poverty alleviation and continue its rural revitalisation by consumption assistance.

## Section 9 Environmental and Social Responsibility

4. Public welfare assistance: It donated funds to help purchase teaching equipment for the “Class to Class (班班通)” project for the Tianba Primary School in Hezhang County, and supplemented teaching resources to ensure teaching quality and broaden the horizons of students. It also implemented the “Enjoying a Sunshine Childhood” sponsorship program for children in difficulty in Badong County to protect the rights and interests of children in difficulty in Hubei Province in terms of survival, development and safety, and contributed charitable efforts to consolidate the achievements of poverty alleviation in Hubei Province. Together with its subsidiary Hua Ying Securities and its Party co-building units, it participated in the “Big Hands Holding Small Hands and Small Hands Hand in Hand (大手牽小手，小手手拉手)” campaign of Guolian Group for paired assistance in Xinjiang, donating books and 100 eye protection lamps to the children in Aheqi, Xinjiang to promote ethnic unity through cross-region “Heart-to-Heart (聯心)” connections. It donated funds to Hezhang County to replenish the training equipment of the plateau talent base of youth middle and long-distance running project of the sports service centre to improve the training conditions of the base. It built a school guardroom for Dongqiao Primary School in Poyang County, replaced part of the desks, chairs and teaching equipment, and ensured the infrastructure of the school to provide good material protection for “fostering ambition (扶志)”. It also implemented road repair work in Longshan Community, Sima Town, Pingchang County to ensure the resumption of traffic for students to go to school and for the community, and practically alleviated the difficulties in traffic safety from S202 line to the county town of Pingchang County, Leishan, Sian and other townships.
5. Cultural assistance: It implemented the bodiless lacquerware intangible cultural heritage assistance project of Poyang County, and worked with Ding Guangchang Lacquerware Shop (丁廣昌漆號漆器店), the representative of time-honoured national intangible cultural heritage of “Poyang Bodiless Lacquerware Painting and Decorating Technique (鄱陽脫胎漆器髹飾技藝)” to promote the bodiless lacquerware technique in the campus of Poyang County, and to publicise the intangible cultural heritage. It also launched an essay writing campaign on the theme of preserving the “Wen Nan Opera (文南詞)”, and conducted online voting for display, as well as supported the purchase of clothing and equipment renewal for the campaign to assist in the cultural inheritance and promotion of Wen Nan Opera in Susong County.

## Section 9 Environmental and Social Responsibility

6. Ecological assistance: It implemented the ecological assistance project of environmental and health protection in the fishing village of Changshan Village, Poyang County, joined hands with the Together Love Public Welfare Association (一起愛公益協會) to organise volunteers to regularly promote the policies on the human environment in Changshan Village and create a beautiful fishing village, and at the same time, launched the special action of “Helping the Elderly of the Fishing Village Together (漁村老人一起幫)” to bring care and condolences to the elderly of the fishing village. It assisted in the purchase and installation of 30 streetlights in Pingyuan Village, Magu Town, Hezhang County, covering 765 farmers in 132 families, effectively solving the travelling, production and living conditions of farmers in the project area, enhancing the overall image of the village, and laying a foundation for the convergence of rural revitalisation. It assisted the rooftop photovoltaic power plant project in Badong County, turning idle rooftops into sunny valleys, which fulfilled the national clean and low-carbon energy development strategy, promoted stable and increased income for the population, transiting from offering them direct financial support to nurturing their ability to create value. It also implemented the ecological assistance project of the elderly association of Zhanggong Community in Pingchang County, making full use of idle land and idle elderly people to cultivate vineyards in the community, enhancing the ecological vegetation coverage, and integrating the grape industry with eco-tourism and the construction of beautiful villages.
7. Organizational assistance: It assisted the village committee of Nongzhuang Village in Hezhang County in improving Party building infrastructure, including redecorating the meeting room, purchasing projectors, tables and chairs, adding Party building publicity display boards, setting up Party building culture publicity corner, and purchasing relevant books, etc., to enrich the construction of Party building culture carriers in Nongzhuang Village. It donated funds to assist the Badong County Charity Federation to jointly explore the direction and projects related to rural revitalisation through activities such as joint study and construction, and “Three Meetings and One Lesson (三會一課)”, and meanwhile renovate the Party building office, Party building publicity boards and Party building honour room to improve the Party building infrastructure construction. It also assisted in the construction of the Party organisations in Tianguantang Village, Xixing Township, Pingchang County, built the Party building co-construction platform, maintained the activity room of Party members and other infrastructural facilities to enhance the quality and efficiency of the Party building work, hence providing strong organisational guarantees for comprehensively pushing forward the rural revitalisation, and consolidating and expanding the results of the poverty alleviation.

## Section 9 Environmental and Social Responsibility

### (II) Public Welfare Actions for Rural Revitalisation

1. Serving rural revitalization: It carried out the “Guolian · Qingxin Humiao” initiative to help young people from special families with psychological counselling by supporting the teaching staff and conducting training on caring for left behind special youth groups.
2. Practicing new development concepts: It launched Guolian Securities – Tsinghua University social practice base and contributed RMB100,000 to set up the Friends of Tsinghua University – Talents of Guolian Securities Scholarship. In addition, it carried out school-enterprise joint construction with the School of Economics and Management of Tsinghua University and conducted in-depth research on the new mode of serving rural revitalisation with the securities industry.
3. Conducting charitable public welfare activities: It donated RMB100,000 to assist the Wuxi Caring Service Centre for the Disabled in constructing the “Give One a Warm Home” caring project, through which professional social workers provided services such as home visits, safety assessments, home modifications, and mental health counselling, and established environmental improvement plans according to the specific conditions after carrying out home safety assessments on the disabled through home visits to gradually improve their home environment and eliminate hidden safety hazards. It also donated RMB250,000 to regions hit by floods, namely Beijing, Tianjin, Hebei and Northeastern China, to support flood relief and post-disaster reconstruction, demonstrating the commitment of a state-owned enterprise.

# Independent Auditor's Report

# Deloitte.

# 德勤

To the Shareholders of Guolian Securities Co., Ltd.

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

## Opinion

We have audited the consolidated financial statements of Guolian Securities Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 163 to 326, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Key Audit Matters

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

## Key audit matter

### *Goodwill impairment assessment*

We identified goodwill impairment assessment as a key audit matter due to its significance to the financial statements, and the management of the Group exercises significant judgements and estimation to the assessment.

As at 31 December 2023, management performs goodwill impairment assessment on the goodwill arising on acquisition of Guolian Fund Management Co., Ltd. ("Guolian Fund"). In performing an impairment assessment, management calculates the recoverable amount for the Group's cash generating units ("CGUs").

Management considers Guolian Fund as a separate CGU and assessed the recoverable amount of Guolian Fund by applying a discounted cash flow ("DCF") model to determine the value in use, and involves the use of key assumptions and inputs, including revenue growth rate, terminal growth rate and discount rate, which require significant management judgement.

As at 31 December 2023, the carrying amount of goodwill was RMB 1,142,579 thousands, as disclosed in Note 22 to the consolidated financial statements.

## How our audit addressed the key audit matter

Our procedures in relation to this key audit matter included:

- Understanding the management's process in relation to the goodwill impairment assessment, assessing management's identification of CGU and how management allocates goodwill to each CGU based on prevailing accounting standards;
- Evaluating the appropriateness of the DCF model which the management used for determining the recoverable amount of Guolian Fund, and the appropriateness of the key assumptions and judgments applied in the DCF model, including the discount rate and terminal growth rate adopted with the involvement of our internal experts
- Comparing key parameters including revenue growth rate and terminal growth rate with historical data, approved budgets, management's business plans, and industry data to evaluate the rationality of the management's selection of relevant key parameters based on our understanding of Guolian Fund's business and industry; and
- Testing the accuracy of the management's calculation of goodwill impairment assessment.

# Independent Auditor's Report

## Key audit matter

### *Consolidation of Structured Entities*

We identified consolidation of structured entities as a key audit matter due to the significant judgements exercised by the management of the Group in assessing and concluding whether the Group controls the structured entities and the significance of the impact arising from consolidating these structured entities to the financial statements.

The Group consolidated the structured entities which it controlled. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

The Group held interests as investor and/or acted as investment manager in various structured entities including collective asset management schemes and investment funds. The Group considered its power, arising from the rights entitled directly or indirectly, over the structured entities, and assessed whether the combination of investments it held together with its remuneration created exposure to variability of returns from the structured entities that are of such significance that it indicated the Group controlled the structured entities and should consolidated these structured entities.

The carrying amount of the interests in unconsolidated structured entities held by the Group was disclosed in Note 59 to the consolidated financial statements, whilst the carrying amount of the Company's investments in consolidated structured entities was presented in Note 63 to the consolidated financial statements.

## How our audit addressed the key audit matter

Our procedures in relation to this key audit matter included:

- Understanding and evaluating the key controls over the management's process in relation to the determination of consolidation scope using the principle of control, and testing the operating effectiveness of these controls;
- Selecting samples to perform the following audit procedures:
  - inspecting agreements relating to the structured entity and understanding the purpose of its set up; assessing the appropriateness of the Group's judgement on the power the Group had over the structured entity according to the Group's rights and obligations under different transaction structures and its involvement with the structured entity;
  - verifying the analysis on the Group's variable return which included, but was not limited to, fixed management fees and performance fees obtained through acting as asset manager, as well as the returns obtained from holding an interest in a structured entity;
  - analysing the scope of the Group's decision making power over the structured entity, the substantive rights held by other participants, the level of remuneration obtained from providing asset management services and the risk of variable return borne by holding other interests in the structured entity and, checking the Group's analysis on the magnitude and variability of variable return, assessing whether the Group acts as principal or agent in the structured entities; and
  - assessing the management's judgment on the consolidation of structured entities through carrying out the above procedures.

## Key audit matter

## How our audit addressed the key audit matter

### *Expected credit loss assessment of margin accounts receivable and equity securities held under resale agreements*

We identified the expected credit loss (“ECL”) assessment of margin accounts receivable and equity securities held under resale agreements as a key audit matter as these financial assets are material to the Group, and the management of the Group exercises significant judgements and estimation to assess and measure ECL.

Significant judgements exercised by the Group in ECL measurement includes assessing whether the credit risk of an asset has significantly increased since initial recognition and whether an asset is credit-impaired, using appropriate models and assumptions, determining the key inputs. Key inputs used in the ECL model including probability of default (“PD”), loss given default (“LGD”), exposure at default (“EAD”) and forward-looking information for Stage 1 and 2 financial assets; the determination of recoverable amount in respect of Stage 3 financial assets are based on value of collateral and repayment ability of borrowers.

As at 31 December 2023, the Group held margin accounts receivable of RMB10,138,793 thousands, less impairment allowance of RMB12,130 thousands as disclosed in Note 35 to the consolidated financial statements and equity securities held under resale agreements of RMB1,332,800 thousands, less impairment allowance of RMB1,351 thousands as disclosed in Note 29 to the consolidated financial statements.

Our procedures in relation to this key audit matter included:

- Understanding and evaluating the management’s process and key controls over the measurement of ECL, and testing the operating effectiveness of these controls;
- Evaluating the appropriateness of the ECL model, the critical assumptions and parameters used in the model, in particular the PD, LGD and forward-looking information with the involvement of our internal experts;
- Reviewing the parameters and judgement made by the management on a sample basis including the determination of the stages of the financial assets, PD and LGD, expected future cash flows, financial condition of counterparties and guarantors, and the realisation of collateral held, as appropriate; and
- Testing the mathematical accuracy of the calculation of ECL.



## Independent Auditor's Report

### Other Information

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

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

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

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

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

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

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

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

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

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

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

## Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

26 March 2024

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue			
– Commission and fee income	6	1,805,286	1,559,943
– Interest income under effective interest method	7	1,330,276	1,208,535
Net investment gains	8	1,243,463	1,158,719
Other income	9	6,541	2,930
<b>Total revenue, net investment gains and other income</b>		<b>4,385,566</b>	3,930,127
Commission and fee expenses	10	(251,117)	(262,391)
Interest expenses	11	(1,248,823)	(1,087,854)
Staff costs	12	(1,377,070)	(1,105,445)
Depreciation and amortization	13	(270,532)	(191,985)
Other operating expenses	14	(524,652)	(359,913)
Impairment losses under expected credit loss model, net of reversal	15	28,598	(2,658)
<b>Total expenses</b>		<b>(3,643,596)</b>	(3,010,246)
<b>Total revenue, net investment gains and other income less total expenses</b>		<b>741,970</b>	919,881
Share of results of associates		(21,026)	(6,115)
Other gains	16	104,473	51,667
Profit before income tax		825,417	965,433
Income tax expense	17	(150,867)	(198,148)
<b>Profit for the year</b>		<b>674,550</b>	767,285
Attributable to:			
Shareholders of the Company		671,319	767,285
Non-controlling interests		3,231	–
		<b>674,550</b>	767,285
<b>Earnings per share (Expressed in RMB per share)</b>			
– Basic	18	0.24	0.27

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	2023	2022
	RMB'000	RMB'000
<b>Profit for the year</b>	<b>674,550</b>	767,285
<b>Other comprehensive income/(expense)</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gain/(loss) on:		
– investments in equity instruments at fair value through other comprehensive income	<b>303,919</b>	(934)
Income tax relating to items that will not be reclassified to profit or loss	<b>(75,980)</b>	233
	<b>227,939</b>	(701)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<b>3,827</b>	21,098
Fair value gain/(loss) on:		
– debt instruments measured at fair value through other comprehensive income	<b>154,207</b>	(174,149)
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss	<b>(14,137)</b>	7,456
Income tax relating to items that may be reclassified subsequently	<b>(35,018)</b>	41,673
	<b>108,879</b>	(103,922)
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>336,818</b>	(104,623)
<b>Total comprehensive income for the year</b>	<b>1,011,368</b>	662,662
Attributable to:		
Shareholders of the Company	<b>1,008,137</b>	662,662
Non-controlling interests	<b>3,231</b>	–

# Consolidated Statement of Financial Position

As at 31 December 2023

	NOTES	2023/12/31 RMB'000	2022/12/31 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	20	101,738	81,440
Right-of-use assets	21	227,464	155,921
Goodwill	22	1,142,579	–
Intangible assets	23	545,052	65,608
Interests in an associate and a joint venture	25	75,780	96,806
Equity instruments at fair value through other comprehensive income	26	3,600,396	2,926,193
Debt instruments at fair value through other comprehensive income	27	4,598,052	8,363,285
Financial assets at fair value through profit or loss	28	843,584	545,001
Financial assets held under resale agreements	29	200,336	–
Derivative financial assets	30	1,503,130	457,279
Deferred tax assets	31	32,666	21,589
Refundable deposits	32	465,954	592,226
Construction in progress		8,843	2,436
Other non-current assets	33	1,313,253	668,878
<b>Total non-current assets</b>		<b>14,658,827</b>	<b>13,976,662</b>
<b>Current assets</b>			
Other current assets	34	2,528,617	2,884,873
Margin accounts receivable	35	10,126,663	8,815,670
Financial assets held under resale agreements	29	5,106,578	3,263,816
Debt instruments at fair value through other comprehensive income	27	2,485,305	–
Financial assets at fair value through profit or loss	28	38,183,659	31,890,842
Derivative financial assets	30	244,113	522,600
Clearing settlement funds	36	3,978,960	2,994,739
Cash held for brokerage clients	37	6,650,429	7,964,935
Cash and bank balances	38	3,165,723	2,067,860
<b>Total current assets</b>		<b>72,470,047</b>	<b>60,405,335</b>
<b>Total assets</b>		<b>87,128,874</b>	<b>74,381,997</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	39	2,831,773	2,831,773
Share premium	40	8,189,045	8,189,045
Reserves	40	3,062,913	2,532,678
Retained earnings		3,684,960	3,207,058

# Consolidated Statement of Financial Position

As at 31 December 2023

	NOTES	2023/12/31 RMB'000	2022/12/31 RMB'000
<b>Equity attributable to shareholders of the Company</b>		<b>17,768,691</b>	16,760,554
Non-controlling interest		354,867	–
<b>Total equity</b>		<b>18,123,558</b>	16,760,554
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	31	658,105	201,167
Bonds in issue	41	16,025,000	13,598,212
Lease liabilities	42	135,206	73,385
Derivative financial liabilities	30	161,577	25,295
Financial liabilities at fair value through profit or loss	43	70,636	287,050
Other non-current liabilities	44	8,754,770	4,728,712
<b>Total non-current liabilities</b>		<b>25,805,294</b>	18,913,821
<b>Current liabilities</b>			
Other current liabilities	45	3,623,968	3,544,680
Current income tax liabilities		10,688	6,474
Bonds in issue	41	9,293,077	6,596,082
Lease liabilities	42	94,878	86,791
Contract liabilities	47	17,552	15,705
Due to other financial institutions	48	5,314,014	900,216
Derivative financial liabilities	30	286,066	475,781
Financial assets sold under repurchase agreements	49	14,421,564	14,992,681
Financial liabilities at fair value through profit or loss	43	1,092,116	1,291,931
Accounts payable to brokerage clients	50	9,046,099	10,797,281
<b>Total current liabilities</b>		<b>43,200,022</b>	38,707,622
<b>Total liabilities</b>		<b>69,005,316</b>	57,621,443
<b>Total equity and liabilities</b>		<b>87,128,874</b>	74,381,997

The consolidated financial statements on pages 163 to 326 were approved and authorised for issue by the Board of Directors on 26 March 2024 and signed on behalf by:

**Ge Xiaobo**

*Chairman of the Board, Executive Director, and President*

**Yin Lei**

*Vice president, and Financial Officer*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to shareholders of the Company										
	Notes	Reserves								Non-controlling interest	Total
		Share capital	Share premium	Surplus reserve	General reserve	Revaluation reserve	Translation reserve	Other reserve	Retained earnings		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2023</b>		2,831,773	8,189,045	763,323	1,811,705	(20,377)	(7,156)	(14,817)	3,207,058	-	16,760,554
Profit for the year		-	-	-	-	-	-	-	671,319	3,231	674,550
Other comprehensive income for the year		-	-	-	-	332,991	3,827	-	-	-	336,818
<b>Total comprehensive income for the year</b>		-	-	-	-	332,991	3,827	-	671,319	3,231	1,011,368
Effect of acquisition of subsidiaries	60	-	-	-	-	-	-	-	-	351,636	351,636
Disposal of investments in equity instruments at fair value through other comprehensive income		-	-	-	-	11,907	-	-	(11,907)	-	-
Appropriation to surplus reserve		-	-	58,757	-	-	-	-	(58,757)	-	-
Appropriation to general reserve		-	-	-	122,753	-	-	-	(122,753)	-	-
<b>Balance at 31 December 2023</b>		2,831,773	8,189,045	822,080	1,934,458	324,521	(3,329)	(14,817)	3,684,960	354,867	18,123,558
<b>Balance at 1 January 2022</b>		2,831,773	8,189,045	676,925	1,631,946	210,920	(28,254)	(14,817)	2,883,531	-	16,381,069
Profit for the year		-	-	-	-	-	-	-	767,285	-	767,285
Other comprehensive (expense)/income for the year		-	-	-	-	(125,721)	21,098	-	-	-	(104,623)
<b>Total comprehensive (expense)/income for the year</b>		-	-	-	-	(125,721)	21,098	-	767,285	-	662,662
Dividends recognised as distribution	19	-	-	-	-	-	-	-	(283,177)	-	(283,177)
Disposal of investments in equity instruments at fair value through other comprehensive income		-	-	-	-	(105,576)	-	-	105,576	-	-
Appropriation to surplus reserve		-	-	86,398	-	-	-	-	(86,398)	-	-
Appropriation to general reserve		-	-	-	179,759	-	-	-	(179,759)	-	-
<b>Balance at 31 December 2022</b>		2,831,773	8,189,045	763,323	1,811,705	(20,377)	(7,156)	(14,817)	3,207,058	-	16,760,554



# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023	2022
NOTES	RMB'000	RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax	825,417	965,433
Adjustments for:		
Depreciation and amortisation	270,532	191,985
Impairment losses under expected credit loss model, net of reversal	(28,598)	2,658
Net gains on disposal of property and equipment, intangible assets and other non-current assets, net	(81,250)	(41,090)
Unrealised fair value change of financial instruments at fair value through profit or loss	(677,011)	(420,177)
Foreign exchange gains	(635)	(1,552)
Share of results of associates	21,026	6,115
Interest income from debt instruments at fair value through other comprehensive income	(259,542)	(185,112)
Net gains from disposal of debt instruments at fair value through other comprehensive income	(10,055)	(51,223)
Dividends from equity instruments at fair value through other comprehensive income	(308,540)	(278,987)
Interest expense of bonds in issue and short-term borrowings	796,881	692,578
Interest expense of lease liabilities	8,268	6,552
Net realised gains from disposal of financial instruments at fair value through profit or loss	–	(65,969)
<b>Operating cash flows before movements in working capital</b>	<b>556,493</b>	<b>821,211</b>
Net (increase)/decrease in margin accounts receivable	(1,307,769)	1,973,287
Net increase in financial assets at fair value through profit or loss	(6,097,082)	(4,817,880)
Net decrease in financial assets held under resale agreements	840,474	203,571
Net decrease/(increase) in refundable deposits	126,272	(264,927)
Net decrease in cash held for brokerage clients	1,314,506	607,178
Net decrease in clearing settlement funds	179,265	464,055
Net increase in other assets	(957,026)	(2,301,735)
Net decrease in accounts payable to brokerage clients	(1,751,182)	(385,298)
Net (decrease)/increase in financial assets sold under repurchase agreements	(571,117)	2,196,669
Net increase in due to other financial institutions	4,413,798	49,901
Net increase in other liabilities	4,051,642	4,008,704
Net increase/(decrease) in financial liabilities at fair value through profit or loss	28,500	(436,097)
Cash generated from operations	826,774	2,118,639
Income taxes paid	(46,986)	(164,040)
<b>Net cash from operating activities</b>	<b>779,788</b>	<b>1,954,599</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
<b>Cash flows from investing activities</b>			
Dividends received from investments		587,884	278,987
Interest received from investments		–	138,002
Proceeds on disposal of property and equipment, intangible assets and other long-term assets		92,741	47,405
Purchase of property and equipment, intangible assets and other long-term assets		(198,542)	(112,424)
Cash paid for purchase of			
– debt instruments at fair value through other comprehensive income		(11,733,982)	(8,045,380)
– equity instruments at fair value through other comprehensive income		(466,088)	(1,181,094)
Cash received from disposal of			
– financial instruments at fair value through profit or loss		–	65,953
– debt instruments at fair value through other comprehensive income		12,926,155	5,846,723
– equity instruments at fair value through other comprehensive income		99,773	797,978
Payment made on acquisition of subsidiaries, net of cash acquired	60	(2,212,761)	–
<b>Net cash used in investing activities</b>		<b>(904,820)</b>	<b>(2,163,850)</b>
<b>Cash flows from financing activities</b>			
Interest paid for bonds in issue		(763,422)	(644,355)
Interest paid for short-term borrowings		–	(1,347)
Dividends paid	19	–	(283,177)
Repayment of lease liabilities		(120,560)	(88,173)
Cash received from additional bonds in issue		19,171,935	18,381,046
Cash paid for repayment of bonds in issue		(14,567,201)	(15,790,936)
Cash paid for repayment of short-term borrowings		–	(38,268)
<b>Net cash from financing activities</b>	54	<b>3,720,752</b>	<b>1,534,790</b>
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,303	3,354
Net increase in cash and cash equivalents		3,595,720	1,325,539
<b>Cash and cash equivalents at the beginning of the year</b>		<b>3,723,982</b>	<b>2,395,089</b>
<b>Cash and cash equivalents at the end of the year</b>	51	<b>7,321,005</b>	<b>3,723,982</b>
<b>Net cash from operating activities including:</b>			
Interest received		1,919,909	1,590,690
Interest paid		(440,803)	(386,821)
Dividends received		54,242	18,082

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 1. General Information

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

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

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

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

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

As at 31 December 2023, the registered capital of the Company is RMB2,831,773 thousand. The Company holds the securities institution licence and business license No.91320200135914870B. The registered address of the Company is No.8 Jinrong One Street, Wuxi, Jiangsu Province, PRC.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 1. General Information – continued

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

As of 31 December 2023, the Company has established 101 branches, including 15 branch offices and 86 securities branches, which are mainly located in Jiangsu province.

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

These consolidated financial statements were authorised for issue by the Board of Directors (the “Board”) on 26 March 2024.

## 2. Application of New and Amendments to International Financial Reporting Standards (“IFRSs”) and Changes in Other Accounting Policies

### New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“IASB”), for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group’s consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 2. Application of New and Amendments to International Financial Reporting Standards (“IFRSs”) and Changes in Other Accounting Policies – continued

### New and amendments to IFRSs that are mandatorily effective for the current year – continued

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### 2.1 Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;
- (ii) the Group also, as at January 1, 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group’s financial position and performance, except that the Group recognised the related deferred tax assets and deferred tax liabilities on a gross basis but it has no impact on the retained earnings at the earliest period presented. As as January 1, 2022, the Group recognized deferred tax asset associated with and lease liabilities and deferred tax liability associated with right-of-use-assets amounted to RMB41,339 thousand and RMB41,084 thousand, respectively. As as December 31, 2022, the Group recognized deferred tax asset associated with and lease liabilities and deferred tax liability associated with right-of-use-assets amounted to RMB38,005 thousand and RMB37,210 thousand, respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 2. Application of New and Amendments to International Financial Reporting Standards (“IFRSs”) and Changes in Other Accounting Policies – continued

### Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to IAS 21	Lack of Exchangeability <sup>3</sup>

1 Effective for annual periods beginning on or after a date to be determined.

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

3 Effective for annual periods beginning on or after 1 January 2025.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information

### 3.1 Basis of preparation of consolidated financial statements

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

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

### 3.2 Material accounting policy information

#### **Basis of consolidation**

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

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

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

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Basis of consolidation – continued

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

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

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### **Basis of consolidation – continued**

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

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

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

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

#### ***Optional concentration test***

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

#### ***Business combinations***

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Basis of consolidation – continued

##### *Business combinations – continued*

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

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the “Conceptual Framework”) except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Basis of consolidation – continued

##### *Business combinations – continued*

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

#### **Investments in associates**

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Investments in associates – continued

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with *IAS 36 Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### **Investments in associates – continued**

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

#### **Property and equipment**

Property and equipment are tangible assets that are held for use in the supply of services, or for administrative purpose (other than construction in progress). Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress for supply of service or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Property and equipment – continued

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Buildings	0-5%	20-30 years
Motor vehicles	0-5%	4-6 years
Electronics and other equipment	0-5%	2-5 years

#### Intangible assets

##### *Intangible assets acquired separately*

The estimated useful lives of each class of intangible assets with finite useful life are as follows:

Trade names shall be amortised over 10 years, software and others shall be amortised over 2 – 5 years, and customer relationships shall be amortised over expected beneficial life.

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Intangible assets – continued

##### *Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Intangible assets – continued

##### *Internally-generated intangible assets – research and development expenditure – continued*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

##### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Leases

##### *The Group as a lessee*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of buildings/motor vehicles/machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Leases – continued

##### *The Group as a lessee – continued*

##### *Right-of-use assets*

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Leases – continued

##### *The Group as a lessee – continued*

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Leases – continued

##### *The Group as a lessee – continued*

##### *Lease liabilities – continued*

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Leases – continued

##### *The Group as a lessee – continued*

##### *Lease modifications – continued*

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *The Group as a lessor*

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that depend on an index or a rate are included in the total lease payments using the index or rate as at the commencement date. Variable lease payments that do not depend on an index or a rate are excluded and are recognised as income when they arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Leases – continued

##### *The Group as a lessor – continued*

##### *Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies *IFRS 15 Revenue from Contracts with Customers* (“IFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Lease modification*

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables by applying the ECL and derecognition requirements under IFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised as at the effective date of modification.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### **Employee benefits**

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

#### ***Termination benefits***

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

#### ***Social welfare***

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Employee benefits – continued

##### *Contributions to pension schemes and annuity plans*

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

##### *Short-term employee benefits*

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

#### Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Taxation – continued

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### **Taxation – continued**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### **Financial instruments – continued**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### ***Financial assets***

##### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

##### *Financial assets – continued*

##### *Classification and subsequent measurement of financial assets – continued*

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

##### *Financial assets – continued*

##### *Classification and subsequent measurement of financial assets – continued*

If the fair value is evidenced by Level 1 inputs or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 P&L). In other circumstances, the day 1 P&L is deferred.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

#### *Financial assets – continued*

#### *Classification and subsequent measurement of financial assets – continued*

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated revaluation reserve and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "net investment gains" line item in profit or loss.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains" line item.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

##### *Financial assets – continued*

##### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9*

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, debt instruments at fair value through other comprehensive income, margin accounts receivable, accounts receivable and other receivables in other current assets and refundable deposits), and other items (loan commitments) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. The ECL on account receivables are assessed individually for debtors with significant balances and/or collectively using a provision matrix with aging groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

#### *Financial assets – continued*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(i) Significant increase in credit risk – continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- debtor fails to pay the principal and interest as per the due date of the contract and the number of days overdue;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor;
- significant deterioration in the value of collateral or quality of guarantee or credit enhancements provided by a third party. These changes are expected to reduce the debtor's financial incentive to repay the debt within the time limit specified in the contract or affect the probability of default.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

#### *Financial assets – continued*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(i) Significant increase in credit risk – continued

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

For margin accounts receivable and financial assets held under resale agreement, the Group considers that default has occurred when the loan-to-collateral ratio reaches the liquidation line or expect there would be loss after closing the position mandatorily.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

#### *Financial assets – continued*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;  
or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) the purchase or originate a financial asset at a substantial discount, which reflects the fact that a credit loss has occurred.

Irrespective of the outcome of the above assessment, the Group presumes that a financial asset is credit-impaired since initial recognition when contractual payments are more than 90 days past due.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

#### *Financial assets – continued*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

#### *Financial assets – continued*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(v) Measurement and recognition of ECL – continued

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments including account receivables are grouped based on shared credit risk characteristics. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

##### *Financial assets – continued*

##### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

- (v) Measurement and recognition of ECL – continued
- Except for investments in debt instruments that are measured at FVTOCI and loan commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the debt investment revaluation reserve without reducing the carrying amounts of these debt instruments.

##### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

##### *Financial assets – continued*

##### *Financial assets sold under repurchase agreements and financial assets held under resale agreements*

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as financial assets at FVTPL or debt instruments measured at amortised cost as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Consideration paid for financial assets held under agreements to resell are recorded as “financial assets held under resale agreements”. Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

##### *Securities lending*

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interest arising from the cash collateral are included in “accounts payable to brokerage clients”. For those securities held by the Group that are lent to clients, they are not derecognised and are continued to be recorded as financial assets at FVTPL.

##### *Financial liabilities and equity instruments*

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

Financial instruments – continued

*Financial liabilities and equity instruments – continued*

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

#### *Financial liabilities and equity instruments – continued*

#### *Financial liabilities – continued*

#### Financial liabilities at FVTPL – continued

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

##### *Financial liabilities and equity instruments – continued*

##### *Financial liabilities – continued*

##### Financial liabilities at amortised cost

Financial liabilities including due to other financial institutions, accounts payable to brokerage clients, other payables, bonds in issue and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

##### *Derecognition and substantial modification of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors.

If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

#### *Financial liabilities and equity instruments – continued*

#### *Financial liabilities – continued*

#### Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

#### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### *Embedded derivatives*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Financial instruments – continued

##### *Derivative financial instruments – continued*

##### *Embedded derivatives – continued*

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

##### *Offsetting a financial asset and a financial liability*

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Revenue from contracts with customers – continued

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

#### ***Contracts with multiple performance obligations (including allocation of transaction price)***

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Revenue from contracts with customers – continued

##### *Contracts with multiple performance obligations (including allocation of transaction price) – continued*

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

##### *Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

###### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

###### *Variable consideration*

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### Revenue from contracts with customers – continued

##### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group's revenue mainly comes from the following types of business:

##### *Commission and fee income*

- (a) Commission and fee income arising from securities brokerage services is recognised at a point in time on the execution date of the securities transaction;
- (b) Commission and fee income arising from underwriting is recognised at a point in time. Revenue from sponsorship, financial advisory and investment consultancy is recognised when the contractual obligations are fulfilled;
- (c) Commission and fee income arising from asset management services is recognised in accordance with the conditions and proportions agreed in the contract when management services meets the relevant revenue recognition conditions.

##### *Other income*

Other income is recognised when the contractual obligations are fulfilled.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

#### **Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill and financial assets**

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

## 3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information – continued

### 3.2 Material accounting policy information – continued

#### **Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill and financial assets – continued**

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group reviewed the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. For goodwill arising on the acquisition of Guolian Fund Management Co., Ltd ("Guolian Fund") in the current year, the cash-generating unit to which goodwill has been allocated is tested for impairment at year end. This requires an estimation of the recoverable amount of the CGU or group of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from CGU or group of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

### Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

The Group held interests as investor or acted as investment manager in various structured entities including collective asset management schemes and investment funds. The Group considered its power, arising from the rights entitled directly or indirectly, over the structured entities, and assessed whether the combination of investments it held together with its remuneration created exposure to variability of returns from the structured entities that are of such significance that it indicated the Group controlled the structured entities and should consolidated these structured entities.

## 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty – continued

### **Expected credit losses of margin accounts receivable, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income**

The Group estimates the amount of loss allowance for ECL on its margin accounts receivable, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of margin accounts receivable, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income. The assessment of the credit risk of margin accounts receivable, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. Details on ECL are included in Note 56 to the consolidated financial statements.

The following significant judgements and estimation are required in applying the accounting requirements for measuring the ECL:

#### **Significant increase of credit risk**

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Details of advances to customers are set out in Notes 29 and 35.

#### **Establishing groups of assets with similar credit risk characteristics**

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty – continued

### Expected credit losses of margin accounts receivable, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income – continued

#### Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

#### Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

#### Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

#### Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

#### Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments and discounted cash flow analysis. To the extent practical market observable inputs and data, such as interest rate yield curves, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

## 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty – continued

### Expected credit losses of margin accounts receivable, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income – continued

#### Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and Deferred tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the deductible temporary differences are disclosed in Note 31.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 5. Segment Analysis

The Group manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- (a) Brokerage and wealth management: securities trading and brokering services, sales of wealth management products, investment consulting, and asset allocation;
- (b) Credit transaction: providing financial leverage for brokerage clients, securities-backed lending and securities repurchase businesses;
- (c) Investment banking: corporate finance and financial advisory services to institutional clients and market maker business;
- (d) Proprietary trading: trading in financial products;
- (e) Asset management and investment: direct investments and funds related business, in addition to portfolio management and maintenance, investment advisory and transaction execution services;
- (f) Other businesses: including headquarters operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year ended 31 December 2023.

Guolian Fund, the subsidiary acquired in the current year, is included in the asset management and investment segment.

The Group mainly operates in Jiangsu Province, the PRC. Almost all of the revenue and other income of the Group are generated in the PRC.

Almost all of non-current assets of the Group are located in the PRC.

No income from any single customer contributed over 10% of the total revenue and other income of the Group.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 5. Segment Analysis – continued

Year ended 31 December 2023

	Brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Other business	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Total revenue, net investment gains and other income</b>	969,021	718,392	543,250	1,374,096	470,415	331,534	(21,142)	4,385,566
Commission and fee income								
– external	784,055	59,763	502,754	12,758	445,956	-	-	1,805,286
– internal	-	-	20,595	-	547	-	(21,142)	-
Interest income								
– external	184,905	658,629	9,232	263,909	12,582	201,019	-	1,330,276
– internal	-	-	-	-	-	-	-	-
Net investment gains								
– external	-	-	10,669	1,097,428	11,330	124,036	-	1,243,463
– internal	-	-	-	-	-	-	-	-
Other income								
– external	61	-	-	1	-	6,479	-	6,541
– internal	-	-	-	-	-	-	-	-
<b>Total expenses (including reversal of impairment losses)</b>	(887,731)	(395,012)	(482,354)	(800,520)	(382,182)	(709,177)	13,380	(3,643,596)
<b>Operating profit/(loss)</b>	81,290	323,380	60,896	573,576	88,233	(377,643)	(7,762)	741,970
Other gains								
– external	3,656	-	3,458	253	13,215	83,891	-	104,473
– internal	-	-	-	-	-	-	-	-
Share of profits of investment in an associate	-	-	-	-	-	(21,026)	-	(21,026)
Profit/(loss) before income tax	84,946	323,380	64,354	573,829	101,448	(314,778)	(7,762)	825,417
<b>Total assets</b>	8,870,065	13,051,472	605,611	43,074,490	4,227,395	21,487,470	(4,187,629)	87,128,874
<b>Total liabilities</b>	9,282,269	8,036,732	215,843	36,708,264	466,520	14,284,729	10,959	69,005,316
Supplemental information								
Interests in an associate and a joint venture	-	-	-	-	-	75,780	-	75,780
Capital expenditure	146,069	2,167	25,691	11,764	52,808	74,264	-	312,763
Depreciation and amortisation	105,099	1,299	23,470	13,686	34,625	92,353	-	270,532
Impairment losses under expected credit loss model, net of reversal	-	(15,128)	272	(14,137)	-	395	-	(28,598)



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 5. Segment Analysis – continued

Year ended 31 December 2022

	Brokerage and wealth management	Credit transaction	Investment banking	Proprietary trading	Asset management and investment	Other business	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Total revenue, net investment gains and other income</b>	1,048,371	724,779	526,138	1,155,054	196,779	295,414	(16,408)	3,930,127
Commission and fee income								
– external	857,793	18,694	489,313	–	194,143	–	–	1,559,943
– internal	–	–	13,773	–	2,635	–	(16,408)	–
Interest income								
– external	190,525	706,085	12,385	186,027	8,794	104,719	–	1,208,535
– internal	–	–	–	–	–	–	–	–
Net investment gains								
– external	–	–	10,667	969,027	(9,098)	188,123	–	1,158,719
– internal	–	–	–	–	–	–	–	–
Other income								
– external	53	–	–	–	305	2,572	–	2,930
– internal	–	–	–	–	–	–	–	–
<b>Total expenses (including reversal of impairment losses)</b>	(845,472)	(425,556)	(403,286)	(625,530)	(104,489)	(606,865)	952	(3,010,246)
<b>Operating profit/(loss)</b>	202,899	299,223	122,852	529,524	92,290	(311,451)	(15,456)	919,881
Other gains								
– external	4,149	–	908	355	15	46,240	–	51,667
– internal	–	–	–	–	–	–	–	–
Share of profits of investment in an associate	–	–	–	–	–	(6,115)	–	(6,115)
<b>Profit/(loss) before income tax</b>	207,048	299,223	123,760	529,879	92,305	(271,326)	(15,456)	965,433
<b>Total assets</b>	10,008,435	12,719,632	650,148	42,057,372	434,909	9,472,932	(961,431)	74,381,997
<b>Total liabilities</b>	9,298,963	12,972,797	227,474	29,803,158	60,081	5,247,885	11,085	57,621,443
Supplemental information								
Interests in an associate	–	–	–	–	–	96,806	–	96,806
Capital expenditure	98,037	661	13,341	13,124	9,733	50,819	–	185,715
Depreciation and amortisation	106,611	1,261	20,678	6,872	8,275	48,288	–	191,985
Impairment losses under expected credit loss model, net of reversal	–	(130)	(10)	7,457	(4,716)	57	–	2,658

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 6. Commission and Fee Income

	2023	2022
	RMB'000	RMB'000
Securities brokerage	708,270	787,264
Underwriting and sponsorship	442,213	427,767
Investment consultancy and financial advisory	149,702	132,203
Asset management (Note a)	443,126	194,015
Others	61,975	18,694
	<b>1,805,286</b>	<b>1,559,943</b>

Note a: The Group provides asset management services in respect of various asset management schemes. Performance obligation is satisfied over the term of respective asset management schemes. Management fees of asset management schemes are recognised to the extent that it is highly probable that such recognition will not result in a significant revenue reversal in the future when the uncertainty associated with the quantum of management fees is subsequently resolved. Therefore, management fees of asset management schemes can only be recognised when they are determinable based on actual performance measurement.

Note b: As at 31 December 2023, the Group expected that performance obligations would be satisfied within one year for most existing contracts.

## 7. Interest Income Under Effective Interest Method

	2023	2022
	RMB'000	RMB'000
Interest income from margin financing	557,854	579,344
Interest income from bank deposits	331,433	296,461
Interest income from financial assets held under resale agreements	181,447	147,618
Interest income from debt instruments at fair value through other comprehensive income	259,542	185,112
	<b>1,330,276</b>	<b>1,208,535</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 8. Net Investment Gains

	2023	2022
	RMB'000	RMB'000
Realised gains from disposal of financial assets at fair value through profit or loss	357,281	503,528
Realised losses from disposal of financial liabilities at fair value through profit or loss	(306)	(60,948)
Realised gains from disposal of financial assets at fair value through other comprehensive income	10,055	51,223
Dividend income from equity instruments at fair value through other comprehensive income	308,540	278,987
Distribution to interest holders of consolidated SEs	12	(4,577)
Interest income from financial assets at fair value through profit or loss	704,221	658,631
Dividends from financial assets at fair value through profit or loss	66,439	35,811
Net realised losses from derivative financial instruments	(879,790)	(724,113)
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	(228,162)	100,683
– Derivative financial instruments	945,664	229,756
– Financial liabilities at fair value through profit or loss	(40,491)	89,738
	<b>1,243,463</b>	<b>1,158,719</b>

### 9. Other Income

	2023	2022
	RMB'000	RMB'000
Rental income	5,755	2,424
Others	786	506
	<b>6,541</b>	<b>2,930</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 10. Commission and Fee Expenses

	2023	2022
	RMB'000	RMB'000
Securities brokerage	193,269	237,640
Underwriting and sponsorship	25,259	12,604
Investment consultancy and financial advisory	2,267	–
Asset management	–	121
Others	30,322	12,026
	<b>251,117</b>	<b>262,391</b>

## 11. Interest Expenses

	2023	2022
	RMB'000	RMB'000
Interest expense on bonds in issue	796,881	691,231
Interest expense on financial assets sold under repurchase agreements	382,566	329,619
Interest expense on accounts payable to brokerage clients	24,236	38,782
Interest expenses on due to other financial institutions	36,872	20,323
Interest expense on lease liabilities	8,268	6,552
Interest expense of short-term borrowings	–	1,347
	<b>1,248,823</b>	<b>1,087,854</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 12. Staff Costs (Including Directors' and Supervisors' Remuneration)

	2023	2022
	RMB'000	RMB'000
Salaries and bonus	1,060,264	854,153
Pension	168,461	135,971
Other social security	105,929	80,664
Labour union funds and employee education funds	10,801	5,363
Other welfares	31,615	29,294
	<b>1,377,070</b>	1,105,445

The Group has provided a pension plan for full-time employees in Mainland China as required by the government, including basic pension insurance and corporate annuity plan. Namely, the Group pays endowment insurance premiums to the social insurance institution designated by the government on a monthly basis, which account for a certain percentage of the total salaries of the staff. After the retirement of the employees, the government is obliged to pay the pensions to them. According to the aforesaid defined contribution plan, the Group shall not be liable for the post-retirement benefits beyond the above contributions. Contributions to the plan will be included in the cost at the time of occurrence.

In addition, the Group provides relevant defined contribution plan for its qualified employees outside of Mainland China in accordance with local labour laws.

The Group did not forfeit any retirement benefit plan contributions, and there are no forfeited contributions under the Group's retirement benefit plans that can be used to deduct the contributions payable in future years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 12. Staff Costs (Including Directors' and Supervisors' Remuneration) – continued

### 12.1 The five highest paid individuals

The five highest paid employees of the Group during the year included one director (2022: one director), details of whose remuneration are set out in Note 12.2. Details of the remuneration accrued and paid during the year of the remaining four (2022: four) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2023	2022
	RMB'000	RMB'000
Salaries allowances and other welfares	7,107	6,941
Bonus	13,875	27,275
	<b>20,982</b>	<b>34,216</b>

During the year ended 31 December 2023, the Company paid accrued remuneration which was deferred to 2023 in previous years to the remaining four highest paid employees amounted to RMB6,065 thousand (During the year ended 2022: RMB9,736 thousand).

The number of the highest paid employees who are not the directors of the Company as follows:

	Number of Employees	
	2023	2022
RMB3,000,001 to RMB5,000,000	1	–
RMB5,000,001 to RMB7,000,000	1	1
RMB7,000,001 to RMB10,000,000	2	–
RMB10,000,001 to RMB12,000,000	–	1
RMB12,000,001 to RMB15,000,000	–	2
	<b>4</b>	<b>4</b>

The Group has not provided any compensations to any of the directors and supervisors of the Company or the five highest paid individuals as incentive for them to join the Group, rewarding for joining the Group or for leaving the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 12. Staff Costs (Including Directors' and Supervisors' Remuneration) – continued

#### 12.2 Directors' and Supervisors' emoluments

The remuneration of directors and supervisors of the Company is set out below:

For the year ended 31 December 2023

Name	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
<b>Executive Director</b>							
Ge Xiaobo (Chairman) <sup>(1)</sup>	-	960	47	63	115	1,920	3,105
<b>Non-executive Directors</b>							
Hua Weirong <sup>(1)</sup>	-	-	-	-	-	-	-
Zhou Weiping <sup>(1)</sup>	-	-	-	-	-	-	-
Wu Weihua <sup>(1)</sup>	-	-	-	-	-	-	-
Li Suo <sup>(1)</sup>	-	-	-	-	-	-	-
Liu Hailin <sup>(1)</sup>	-	-	-	-	-	-	-
Wu Xingyu <sup>(1)</sup>	180	-	-	-	-	-	180
Zhu Hehua <sup>(1)</sup>	180	-	-	-	-	-	180
Gao Wei <sup>(1)</sup>	180	-	-	-	-	-	180
<b>Supervisors</b>							
Xu Faliang <sup>(1)</sup>	-	720	46	46	115	540	1,467
Xu Kan <sup>(1)</sup>	-	-	-	-	-	-	-
Xu Jingyan <sup>(1)</sup>	-	-	-	-	-	-	-
Wu Lingyun <sup>(1)</sup>	-	378	46	46	50	160	680
Zhou Min <sup>(1)</sup>	-	307	46	46	36	250	685
	540	2,365	185	201	316	2,870	6,477

Note: The deferred payment portion of previous years' performance-based remuneration received by the directors and supervisors of the Company was as follows: Ge Xiaobo received RMB1,866.7 thousand and Xu Faliang received RMB394.7 thousand.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 12. Staff Costs (Including Directors' and Supervisors' Remuneration) – continued

### 12.2 Directors' and Supervisors' emoluments – continued

The remuneration of directors and supervisors of the Company is set out below: – continued

For the year ended 31 December 2022

Name	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
<b>Executive Director</b>							
Ge Xiaobo (Chairman) <sup>(1)</sup>	-	960	43	58	122	2,400	3,583
<b>Non-executive Directors</b>							
Hua Weirong <sup>(1)</sup>	-	-	-	-	-	-	-
Zhou Weiping <sup>(1)</sup>	-	-	-	-	-	-	-
Wu Weihua <sup>(1)</sup>	-	-	-	-	-	-	-
Li Suo <sup>(1)</sup>	-	-	-	-	-	-	-
Liu Hailin <sup>(1)</sup>	-	-	-	-	-	-	-
Wu Xingyu <sup>(1)</sup>	130	-	-	-	-	-	130
Zhu Hehua <sup>(1)</sup>	130	-	-	-	-	-	130
Gao Wei <sup>(1)</sup>	30	-	-	-	-	-	30
Zhang Weigang <sup>(2)(3)</sup>	-	-	-	-	-	-	-
Lu Yuanzhu <sup>(2)(3)</sup>	-	-	-	-	-	-	-
<b>Supervisors</b>							
Xu Faliang <sup>(1)</sup>	-	720	43	43	122	600	1,528
Xu Kan <sup>(1)</sup>	-	-	-	-	-	-	-
Xu Jingyan <sup>(1)</sup>	-	-	-	-	-	-	-
Wu Lingyun <sup>(1)</sup>	-	63	8	7	9	158	245
Zhou Min <sup>(1)</sup>	-	51	8	7	6	200	272
Zhou Weixing <sup>(2)(3)</sup>	-	-	-	-	-	-	-
Ren Jun <sup>(2)(3)</sup>	-	-	-	-	-	-	-
Shen Ying <sup>(2)(3)</sup>	-	-	-	-	-	-	-
Yu Lei <sup>(2)(3)</sup>	-	-	-	-	-	-	-
	290	1,794	102	115	259	3,358	5,918

Note: The deferred payment portion of previous years' performance-based remuneration received by the directors and supervisors of the Company was as follows: Ge Xiaobo received RMB933.3 thousand and Xu Faliang received RMB301.3 thousand.

- (1) Appointed as executive director, non-executive director or supervisors on 20 October 2022. In the case of re-election of executive director, non-executive director or supervisors of the Company, the date of commencement of employment shall be the date of first appointment for the current re-election.
- (2) Appointed as non-executive director or supervisors on 13 June 2019. In the case of re-election of non-executive director or supervisors of the Company, the date of commencement of employment shall be the date of first appointment for the current re-election.
- (3) Retired as non-executive director or supervisors on 20 October 2022.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 12. Staff Costs (Including Directors' and Supervisors' Remuneration) – continued

### 12.3 Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company. The non-executive directors' emoluments shown above were for their services as directors of the Company.

In addition to the directors' remuneration disclosed above, certain directors are not paid directly by the Company but receive remuneration from the Company's holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

## 13. Depreciation and Amortization

	2023	2022
	RMB'000	RMB'000
Depreciation of property and equipment	39,563	33,185
Amortisation of intangible assets	96,108	56,268
Amortisation of long-term prepaid expense	23,282	17,820
Depreciation of right-of-use assets	111,579	84,712
	<b>270,532</b>	191,985

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 14. Other Operating Expenses

	2023	2022
	RMB'000	RMB'000
Tax and surcharges	19,846	16,791
Rentals	2,877	2,943
Office expenses	75,360	45,458
Marketing and distribution expenses	127,253	70,300
Securities investors protection fund	12,528	12,240
Travelling expenses	62,149	30,654
Postage and communication expenses	63,252	59,813
Consulting expenses	39,750	29,033
Professional service expenses	12,904	15,455
Auditor's remuneration		
– audit services (Note)	3,840	3,490
Property management expenses	21,872	18,456
Software expenses	10,195	7,792
Others	72,826	47,488
	<b>524,652</b>	359,913

Note: Auditor's remuneration for statutory audit of the Group for the year ended 31 December 2023 was included in auditor's remuneration (2022: the same). The statutory financial statements were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (2022: the same).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 15. Impairment Losses under Expected Credit Loss Model, Net of Reversal

	2023	2022
	RMB'000	RMB'000
Margin accounts receivable	(3,224)	2,382
Accounts receivable and other receivables	666	8
Financial assets held under resale agreements	(11,903)	(7,188)
Debt instruments at fair value through other comprehensive income	(14,137)	7,456
	(28,598)	2,658

### 16. Other Gains

	2023	2022
	RMB'000	RMB'000
Foreign exchange gains	635	1,552
Government grants	22,454	8,741
Others	81,384	41,374
	104,473	51,667

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 17. Income Tax Expense

	2023	2022
	RMB'000	RMB'000
Current income tax (income)/expense		
– Mainland China	(68,825)	12,515
Under/(over) provision in prior years		
– Mainland China	4,937	(4,718)
Deferred tax		
– Mainland China (Note 31)	214,143	190,796
– Hong Kong, China (Note 31)	612	(445)
	214,755	190,351
Income tax expense	150,867	198,148

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 17. Income Tax Expense – continued

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HKD 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD 2 million will be taxed at 16.50%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.50%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HKD 2 million of the estimated assessable profits and at 16.50% on the estimated assessable profits above HKD 2 million.

As at 31 December, 2023, the Group had unused tax losses of approximately RMB47,167 thousand (2022: RMB23,227 thousand). estimated tax losses amounted to RMB38,775 thousand has no expiry date and can be carried forward indefinitely subject to the approval of the Inland Revenue Department, estimated tax losses amounted to 6,273 thousand and 2,119 thousand will be expired by 2027 and 2028, respectively. As at 31 December, 2023, the Group had estimated temporary difference of approximately RMB63,507 thousand (2022: RMB34,159 thousand). No deferred tax assets has been recognised in respect of estimated tax losses and temporary difference as it is uncertain whether sufficient future taxable profits will be available in the future to offset the amount.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023	2022
	RMB'000	RMB'000
Profit before income tax	825,417	965,433
Tax calculated at applicable statutory tax rate	206,354	241,358
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,542)	3,714
Tax effect of income not taxable for tax purpose	(82,173)	(58,658)
Tax effect of expenses not deductible for tax purposes	15,630	7,450
Utilisation of tax losses previously not recognised	(58)	–
Tax effect of tax losses not recognised	382	462
Tax effect of deductible temporary differences not recognised	7,337	8,540
Under/(over) provision in respect of prior years	4,937	(4,718)
Income tax expense for the year	150,867	198,148

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 18. Earnings Per Share

### 18.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Profit attributable to shareholders of the Company (RMB'000)	671,319	767,285
Weighted average number of ordinary shares in issue (in thousand)	2,831,773	2,831,773
Basic earnings per share (in RMB)	0.24	0.27

### 18.2 Diluted earnings per share

For the year ended 31 December 2023, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share (2022: the same).

## 19. Dividends

	2023	2022
Dividends recognised as distribution	-	283,177

No dividend was paid or proposed for ordinary shareholders of the Company during 2023 (2022: Pursuant to the resolution of annual general meeting 2022, the Company declared 2021 final dividend of RMB0.1 (taxes inclusive) per share respectively, in an aggregate amount of RMB283,177 thousand, satisfied by cash).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 19. Dividends – continued

Under the “Company Law” of the PRC, the Company’s Articles of Association and in accordance with the requirements of CSRC, the profit after income tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (1) Making up cumulative losses from prior years, if any;
- (2) 10% of the Company’s profit is appropriated to the non-distributable statutory surplus reserve;
- (3) 10% of the Company’s profit is appropriated to the non-distributable general reserve;
- (4) 10% of the Company’s profit is appropriated to the non-distributable transaction risk reserve;
- (5) 10% of the Company’s management fee income from the large aggregate asset management plan is appropriated to the non-distributable transaction risk reserve;
- (6) Appropriations to the discretionary surplus reserve with approval from the General Meeting of Shareholders. These funds form part of the shareholders’ equity.

In accordance with the relevant regulations, upon the occurrence of certain events, the net profit after tax of the Group for the purpose of profit distribution is deemed to be the lesser of (1) the retained earnings determined in accordance with the People’s Republic of China Generally Accepted Accounting Principles (“PRC GAAP”) and (2) the retained earnings determined in accordance with IFRSs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 20. Property and Equipment

	Buildings RMB'000	Motor vehicles RMB'000	Electronics and other equipment RMB'000	Total RMB'000
<b>Cost</b>				
1 January 2023	130,044	4,592	241,681	376,317
Additions	15,180	–	46,538	61,718
Acquisition of subsidiaries (Note 60)	–	518	9,114	9,632
Disposals	(37,960)	(399)	(7,777)	(46,136)
Exchange differences	–	–	3	3
31 December 2023	107,264	4,711	289,559	401,534
<b>Accumulated depreciation</b>				
1 January 2023	(97,793)	(4,253)	(192,831)	(294,877)
Additions	(6,469)	(254)	(32,840)	(39,563)
Disposals	26,868	399	7,379	34,646
Exchange differences	–	–	(2)	(2)
31 December 2023	(77,394)	(4,108)	(218,294)	(299,796)
<b>Carrying amount</b>				
1 January 2023	32,251	339	48,850	81,440
31 December 2023	29,870	603	71,265	101,738



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 20. Property and Equipment – continued

	Buildings RMB'000	Motor vehicles RMB'000	Electronics and other equipment RMB'000	Total RMB'000
<b>Cost</b>				
1 January 2022	154,943	4,592	224,610	384,145
Additions	–	–	25,101	25,101
Disposals	(24,899)	–	(8,043)	(32,942)
Exchange differences	–	–	13	13
31 December 2022	130,044	4,592	241,681	376,317
<b>Accumulated depreciation</b>				
1 January 2022	(111,426)	(4,019)	(172,857)	(288,302)
Additions	(5,505)	(234)	(27,446)	(33,185)
Disposals	19,138	–	7,479	26,617
Exchange differences	–	–	(7)	(7)
31 December 2022	(97,793)	(4,253)	(192,831)	(294,877)
<b>Carrying amount</b>				
1 January 2022	43,517	573	51,753	95,843
31 December 2022	32,251	339	48,850	81,440

For the year ended 31 December 2023, gains from disposal of property and equipment amounted to RMB80,305 thousand (2022: RMB40,913 thousand).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 21. Right-of-Use Assets

	Buildings RMB'000	Motor Vehicles RMB'000	Total RMB'000
<b>Cost</b>			
1 January 2023	440,252	2,670	442,922
Additions	123,538	1,021	124,559
Acquisition of subsidiaries (Note 60)	62,577	35	62,612
Disposals	(64,651)	(1,985)	(66,636)
Exchange difference	178	–	178
31 December 2023	561,894	1,741	563,635
<b>Accumulated depreciation</b>			
1 January 2023	(284,546)	(2,455)	(287,001)
Additions	(111,051)	(528)	(111,579)
Disposals	60,573	1,933	62,506
Exchange difference	(97)	–	(97)
31 December 2023	(335,121)	(1,050)	(336,171)
<b>Carrying amount</b>			
1 January 2023	155,706	215	155,921
31 December 2023	226,773	691	227,464

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 21. Right-of-Use Assets – continued

	Buildings RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Cost</b>			
1 January 2022	400,899	2,280	403,179
Additions	75,318	390	75,708
Disposals	(36,324)	–	(36,324)
Exchange difference	359	–	359
31 December 2022	440,252	2,670	442,922
<b>Accumulated depreciation</b>			
1 January 2022	(235,727)	(1,823)	(237,550)
Additions	(84,080)	(632)	(84,712)
Disposals	35,576	–	35,576
Exchange difference	(315)	–	(315)
31 December 2022	(284,546)	(2,455)	(287,001)
<b>Carrying amount</b>			
1 January 2022	165,172	457	165,629
31 December 2022	155,706	215	155,921

The Group leases various buildings and vehicles for its operations. Lease contracts are entered into for term of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended 31 December 2023, total cash outflow for leases amounts to RMB123,437 thousand.

For the year ended 31 December 2023, expense relating to short-term leases amounts to RMB2,589 thousand (2022: RMB2,725 thousand). Expense relating to leases of low value assets excluding short-term leases of low value assets amounts to RMB288 thousand (2022: RMB218 thousand).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 21. Right-of-Use Assets – continued

As at 31 December 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 14 (31 December 2022: the same).

In addition, as at 31 December 2023, lease liabilities of RMB230,084 thousand (31 December 2022: RMB160,176 thousand) are recognised with related right-of-use assets of RMB227,464 thousand (31 December 2022: RMB155,921 thousand) (Note 42). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2023, the Group did not enter into any lease that is not yet commenced (31 December 2022: Nil).

## 22. Goodwill

	RMB'000
<b>Cost</b>	
As at 1 January 2023	10,316
Acquisition through business combination	1,142,579
<hr/>	
As at 31 December 2023	1,152,895
Impairment losses	
As at 1 January 2023	10,316
As at 31 December 2023	10,316
<hr/>	
<b>Carrying amounts</b>	
As at 1 January 2023	–
<hr/>	
As at 31 December 2023	1,142,579
<hr/>	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 22. Goodwill – continued

	RMB'000
<b>Cost</b>	
As at 1 January 2022	10,316
As at 31 December 2022	10,316
<hr/>	
Impairment losses	
As at 1 January 2022	10,316
As at 31 December 2022	10,316
<hr/>	
<b>Carrying amounts</b>	
As at 1 January 2022	–
<hr/>	
As at 31 December 2022	–
<hr/>	

The Group acquired 75.50% of Guolian Fund in 2023. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of Guolian Fund.

### Impairment testing on goodwill

The cash flows generated from Guolian Fund acquired is independent. Therefore, Guolian Fund is a separate CGU. As at 31 December 2023, the Group performed its annual goodwill impairment test.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections with reference to financial budgets approved by management covering certain period. Cash-flows beyond the certain period are extrapolated using an estimated weighted average growth rate, which does not exceed the long-term average growth rate. The forecast period is from 5 years. As at 31 December 2023, the pre-tax discount rate used by the fund management CGU was 15.60%, and the terminal value growth rate was 2.00%. The discount rate and weighted average growth rate reflected the risks and growth expectations of the relevant CGUs.

Other major assumptions for the recoverable amount estimation relate to the estimation of cash inflows/outflows which include budgeted income and profit margins. Such estimation is based on the CGU's past performance and management's expectations for the market development. In forecast period, income growth rate used by the Guolian Fund CGU ranged from 15.00% to 25.00%, and the profit margin ranged from 15.21% to 36.05%. After the forecast period, the profit margin used by the Guolian Fund CGUs was 36.05%.

The model and key assumptions the management used for the determination of recoverable amount were align with the model and key assumptions used in the determination of acquisition price. As at 31 December 2023, the recoverable amount of Guolian fund CGU exceeded its carrying amount, and no impairments were recognised for the goodwill. The management continuously monitored the model and key assumptions used for the impairment testing.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 23. Intangible Assets

	Trading rights RMB'000	Computer software RMB'000	Customer relationships RMB'000	Total RMB'000
<b>Cost</b>				
1 January 2023	600	295,219	–	295,819
Additions	–	84,020	–	84,020
Acquisition of subsidiaries (Note 60)	–	25,238	466,294	491,532
31 December 2023	600	404,477	466,294	871,371
<b>Accumulated amortisation</b>				
1 January 2023	(600)	(229,611)	–	(230,211)
Additions	–	(75,384)	(20,724)	(96,108)
31 December 2023	(600)	(304,995)	(20,724)	(326,319)
<b>Carrying amount</b>				
1 January 2023	–	65,608	–	65,608
31 December 2023	–	99,482	445,570	545,052

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 23. Intangible Assets – continued

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
<b>Cost</b>			
1 January 2022	600	231,105	231,705
Additions	–	64,114	64,114
31 December 2022	600	295,219	295,819
<b>Accumulated amortisation</b>			
1 January 2022	(600)	(173,343)	(173,943)
Additions	–	(56,268)	(56,268)
31 December 2022	(600)	(229,611)	(230,211)
<b>Carrying amount</b>			
1 January 2022	–	57,762	57,762
31 December 2022	–	65,608	65,608

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 24. Principal Subsidiaries – continued

### General information of principal subsidiaries

The following were principal subsidiaries of the Group as at 31 December 2023. The equity interests in these subsidiaries were all ordinary shares held by the Company and the percentage of ownership held by the Group represented the voting rights of the Group. The registered addresses of the principal subsidiaries are also their business locations, except for Guolian Fund Management Co., Ltd., where the business locations are Beijing. None of the subsidiaries had issued any debt securities at 31 December 2023 and 2022, respectively.

Name of subsidiaries	Type of legal entity registered	Date of establishment	Place of Registration	Registered capital (in thousand)	Equity interests held by the Group		Principal activities
					31 December 2023	31 December 2022	
Guolian Fund Management Co., Ltd.	Limited liability company	May 2013	Shenzhen, China	RMB750,000	75.50%		– Fund raising, fund sales, specific customer asset management and asset management
Guolian (Beijing) Asset Management Co., Ltd.	Limited liability company	September 2013	Beijing, China	RMB200,000	75.50%		– Asset management
Hua Ying Securities Co., Ltd.	Limited liability company	April 2011	Wuxi, China	RMB200,000	100.00%	100.00%	Underwriting and sponsor
Guolian Tongbao Capital Investment Co., Ltd.	Limited liability company	January 2010	Wuxi, China	RMB600,000	100.00%	100.00%	Equity Investment
Wuxi Guolian Chuangxin Capital Co., Ltd.	Limited liability company	July 2019	Wuxi, China	RMB500,000	100.00%	100.00%	Capital Investment
Guolian Securities (H.K.) Co., Ltd.	Limited liability company	April 2020	Hong Kong, China	HKD300,000	100.00%	100.00%	Securities investment, consulting and asset management
Guolian Securities International Capital Co., Ltd.	Limited liability company	April 2020	Hong Kong, China	HKD30,000	100.00%	100.00%	Securities brokerage and investment consultation
Guolian Securities International Capital market Co., Ltd.	Limited liability company	April 2020	Hong Kong, China	HKD10,000	100.00%	100.00%	Investment banks corporate finance
Guolian Securities International Asset Management Co., Ltd.	Limited liability company	April 2020	Hong Kong, China	HKD5,000	100.00%	100.00%	Asset management
Guolian Securities International Co., Ltd.	Limited liability company	April 2020	Hong Kong, China	HKD8,000	100.00%	100.00%	Investment
Guolian Global Capital Limited	Limited liability company	January 2021	British Virgin Islands	USD0.001	100.00%	100.00%	Offshore investment management platform
Guolian Securities Global Investment SPC	Limited liability company	January 2021	Cayman Islands	USD0.001	100.00%	100.00%	Offshore private equity fund
Guolian Global Investment Management Co., Limited	Limited liability company	January 2021	British Virgin Islands	USD0.001	100.00%	100.00%	Offshore investment management platform
Guolian Securities Global Equity Select SPC	Limited liability company	January 2021	Cayman Islands	USD0.001	100.00%	100.00%	Offshore private equity fund
Guolian Securities Asset Management Co., Ltd.	Limited liability company	September 2023	Qingdao, China	RMB1,000,000	100.00%		– Asset management



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 25. Interests in an Associate and a Joint Venture

Set out below is the associate of the Group as at 31 December 2023. Investments in associate as listed below is held directly by the Company; the country of incorporation or registration is also their principal place of business.

#### Details of investment in associate as at 31 December 2023 and 31 December 2022

	Place of business/ incorporation	% of ownership interest		Nature of the relationship	Measurement method
		2023/12/31	2022/12/31		
Zhonghai Fund Management Co., Ltd.	China	33.409%	33.409%	Note (i)	Equity

Note i: Zhonghai Fund Management Co., Ltd., invested by the Company, provides funds distribution, asset management and other services authorised by the CSRC.

The entity is private company and there is no quoted market price available for the shares.

There are no contingent liabilities relating to the Group's interests in the associates.

	2023	2022
	RMB'000	RMB'000
Balance at beginning of the year	96,806	102,921
Share of loss	(21,026)	(6,115)
Balance at end of the year	75,780	96,806

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 25. Interests in an Associate and a Joint Venture – continued

#### Details of investment in associate as at 31 December 2023 and 31 December 2022 – continued

The results of the Group's principal associate, and its aggregated assets (including goodwill) and liabilities, are as follows:

	Zhonghai Fund Management Co., Ltd.	
	2023	2022
	RMB'000	RMB'000
Total assets	293,549	388,185
Total liabilities	58,023	83,007
Net assets	235,526	305,178
Revenue	136,753	182,958
Loss for the year	(69,652)	(19,561)
Total comprehensive expense	(69,652)	(19,561)
Net assets of the associate attributable to the Group	226,824	289,760
The Group's share of net assets of the associate	75,780	96,806
Carrying amount in the consolidated financial statements	75,780	96,806

Reconciliation of the above consolidated financial statements to the carrying amount of the interests in the above associate recognised in the financial statements:

	Zhonghai Fund Management Co., Ltd.	
	2023/12/31	2022/12/31
	RMB'000	RMB'000
Equity attributable to equity holders of the associate	226,824	289,760
Proportion of equity interests held by the Group	33.409%	33.409%
Carrying Amount	75,780	96,806

As at 31 December 2023, the joint venture of the Group is Twin Bays Investments Limited and the carrying amount is RMB212.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 26. Equity Instruments at Fair Value through Other Comprehensive Income

#### Non-current assets

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Equity securities (Note)	3,600,396	2,926,193
<b>Analysed as:</b>		
Listed in Hong Kong	3,050,472	2,816,271
Listed outside Hong Kong	549,924	109,922
	3,600,396	2,926,193

Note: The above equity investments include common stocks and perpetual bonds of entities listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. These investments are not held for trading, but for long-term strategic purposes. The Group has chosen to designate these investments as equity instruments measured at fair value with changes included in other comprehensive income because they believe that the short-term fluctuations in the fair value of such investments recognised in profit or loss will be different from the Group's strategy of holding such investments for long-term purposes, so their performance potential will be recognised from a long-term perspective (31 December 2022: Same).

As a result of the change of investment strategies, the Group disposed certain equity instrument at FVTOCI, and the corresponding losses of RMB11,907 thousand was reclassified from revaluation reserve to retained earnings (the corresponding profit of 2022 amounted RMB105,576 thousand).

As at December 31, 2023, no equity instruments were collateralized for securities lending (31 December 2022: RMB363,017 thousand).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 27. Debt Instruments at Fair Value through Other Comprehensive Income

### Non-current assets

	2023/12/31	2022/12/31
	RMB'000	RMB'000
<b>Analysed by type of issuers:</b>		
Government	2,286,777	2,319,611
Financial institutions	50,692	902,309
Corporate entities	2,260,583	5,141,365
	<b>4,598,052</b>	<b>8,363,285</b>
<b>Analysed as:</b>		
Listed outside Hong Kong	1,421,177	2,172,829
Unlisted	3,176,875	6,190,456
<b>Expected credit losses</b>	<b>(9,368)</b>	<b>(45,280)</b>

### Current assets

	2023/12/31	2022/12/31
	RMB'000	RMB'000
<b>Analysed by type of issuers:</b>		
Financial institutions	504,571	–
Corporate entities	1,980,734	–
	<b>2,485,305</b>	<b>–</b>
<b>Analysed as:</b>		
Listed outside Hong Kong	407,759	–
Unlisted	2,077,546	–
<b>Expected credit losses</b>	<b>(21,775)</b>	<b>–</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 27. Debt Instruments at Fair Value through Other Comprehensive Income – continued

As at 31 December 2023, the fair value of securities of the Group which have been placed as collateral for financial assets sold under repurchase agreements was RMB3,894,226 thousand (31 December 2022: 3,425,002 thousand), for bond lending was RMB1,988,276 thousand (31 December 2022: RMB447,945 thousand).

The following table shows reconciliation of loss allowances that have been recognised for debt instruments at fair value through other comprehensive income.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2023	27,496	–	17,784	45,280
Changes in the loss allowance:				
– Charged to profit or loss	(14,075)	–	(62)	(14,137)
As at 31 December 2023	13,421	–	17,722	31,143

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2022	20,040	–	17,784	37,824
Changes in the loss allowance:				
– Credited to profit or loss	7,456	–	–	7,456
As at 31 December 2022	27,496	–	17,784	45,280

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 27. Debt Instruments at Fair Value through Other Comprehensive Income – continued

The table below details the credit risk exposures of the debt instruments at fair value through other comprehensive income, which are subject to ECL assessment.

#### Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 31 December, 2023	7,078,953	–	4,404	7,083,357
As at 31 December, 2022	8,357,942	–	5,343	8,363,285

### 28. Financial Assets at Fair Value through Profit Or Loss

#### Non-current assets

	2023/12/31 RMB'000	2022/12/31 RMB'000
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
Investment in unlisted companies	722,466	399,779
Investment funds	97,303	–
Equity securities	23,815	87,751
Trust schemes	–	57,471
<b>Total non-current assets</b>	<b>843,584</b>	<b>545,001</b>
<b>Analysed as:</b>		
Listed outside Hong Kong	23,815	–
Unlisted	819,769	545,001

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 28. Financial Assets at Fair Value through Profit Or Loss – continued

#### Current assets

	2023/12/31	2022/12/31
	RMB'000	RMB'000
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
Debt securities	22,265,867	18,831,676
Equity securities	3,275,558	920,053
Investment funds	4,652,032	3,297,818
Asset backed securities	1,419,047	782,592
Trust schemes	893,790	831,126
Collective asset management schemes	438,894	249,770
Private equity funds	4,507,795	6,811,782
Commercial papers	–	98,870
Wealth management products	730,676	67,155
<b>Total current assets</b>	<b>38,183,659</b>	31,890,842
	<b>39,027,243</b>	32,435,843
<b>Analysed as:</b>		
Listed in Hong Kong	244,776	14,782
Listed outside Hong Kong	11,985,454	6,047,125
Unlisted	25,953,429	25,828,935
	<b>38,183,659</b>	31,890,842

As at 31 December 2023, financial assets at fair value through profit or loss collateralized for repurchase arrangements, securities lending, margin and securities refinancing business and futures account deposits amounted to RMB13,764,310 thousand (31 December 2022: RMB16,475,071 thousand), RMB773,278 thousand (31 December 2022: RMB280,803 thousand), RMB91,041 thousand (31 December 2022: RMB144,515 thousand) and RMB1,432,021 thousand (31 December 2022: nil), respectively.

As at 31 December 2023, the fair value of investment funds and trust schemes which was in the lock-up period and the fair value of interests in structured entities, of which the redemption was restricted due to the Group's participation in the schemes which were managed by the Group, was RMB399,506 thousand (31 December 2022: RMB290,690 thousand).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 29. Financial Assets Held under Resale Agreements

	2023/12/31	2022/12/31
	RMB'000	RMB'000
<b>Non-current assets</b>		
Analysed by asset type:		
– Equity securities	200,336	–
Less: Impairment allowance	–	–
	<b>200,336</b>	–
Analysed by market:		
– Shenzhen Stock Exchange	200,336	–
<b>Current assets</b>		
Analysed by asset type:		
– Equity securities	1,132,464	2,172,484
– Debt securities	3,975,465	1,099,868
Less: Impairment allowance	(1,351)	(8,536)
	<b>5,106,578</b>	3,263,816
Analysed by market:		
– Interbank market	2,439,261	1,099,868
– Shanghai Stock Exchange	1,850,290	276,804
– Shenzhen Stock Exchange	817,027	1,887,144
	<b>5,106,578</b>	3,263,816



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 29. Financial Assets Held under Resale Agreements – continued

The Group received equity securities and debt securities as collateral in connection with the purchase of assets under resale agreements. Certain of these collateral can be resold or re-pledged. As at 31 December 2023, there is no collateral accepted by the Group that can be resold or re-pledged for financial assets sold under repurchase agreements. (31 December 2022: Nil).

The following tables show reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2023	8,536	–	–	8,536
Changes in the loss allowance:				
– Charged to profit or loss	(7,185)	–	(4,718)	(11,903)
– Others	–	–	4,718	4,718
As at 31 December 2023	1,351	–	–	1,351

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2022	8,485	7,165	151,610	167,260
Changes in the loss allowance:				
– Write-off	–	–	(151,536)	(151,536)
– Transfer	1,057	(1,057)	–	–
– Charged to profit or loss	(1,006)	(6,108)	(74)	(7,188)
As at 31 December 2022	8,536	–	–	8,536

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 29. Financial Assets Held under Resale Agreements – continued

The tables below details the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment.

#### Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 31 December, 2023	5,308,265	–	–	5,308,265
As at 31 December, 2022	3,272,352	–	–	3,272,352

### 30. Derivative Financial Instruments

	2023/12/31			2022/12/31		
	Nominal Value RMB'000	Assets RMB'000	Liabilities RMB'000	Nominal Value RMB'000	Assets RMB'000	Liabilities RMB'000
	Futures contracts <sup>(a)</sup>	12,579,432	–	–	10,691,850	–
Stock options	2,091,913	12,441	(17,208)	1,741,209	22,942	(8,343)
Commodity options	556,508	2,406	(897)	350,767	5,497	(1,752)
OTC options	14,421,343	1,604,521	(173,905)	21,458,664	722,277	(22,002)
Interest rate swaps	32,890,000	–	(10,288)	19,850,000	–	(5,384)
Return swaps	12,575,316	127,246	(245,345)	15,244,955	229,163	(463,595)
Credit default swap	50,000	629	–	–	–	–
Foreign exchange swaps <sup>(b)</sup>	31,894	–	–	–	–	–
	75,196,406	1,747,243	(447,643)	69,337,445	979,879	(501,076)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 30. Derivative Financial Instruments – continued

Analysed for reporting purpose as:

	2022/12/31		2022/12/31	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Current	244,113	(286,066)	522,600	(475,781)
Non-current	1,503,130	(161,577)	457,279	(25,295)
	<b>1,747,243</b>	<b>(447,643)</b>	979,879	(501,076)

#### (a) Futures contracts

	2023/12/31		2022/12/31	
	Nominal value	Fair value	Nominal value	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
Treasury futures	209,031	(40)	7,821	(48)
Stock index futures	11,705,993	(100,767)	10,637,296	(201,428)
Interest rate futures	–	–	1,394	7
Commodity futures	664,408	1,061	45,339	(642)
Less: cash paid as settlement		(99,746)		(202,111)
Net position of future contracts		–		–

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 30. Derivative Financial Instruments – continued

#### (a) Futures contracts – continued

The future contracts of the Group represent treasury future contracts, commodity futures contracts, interest rate futures contracts and stock index futures contracts. The Group settles its gains or losses on treasury future contracts, commodity futures contracts, interest rate futures contracts and stock index futures (“SIF”) position on a daily basis.

#### (b) Foreign exchange swaps

	2023/12/31		2022/12/31	
	Nominal	Fair value	Nominal	Fair value
	value		value	
	RMB'000	RMB'000	RMB'000	RMB'000
Foreign exchange swaps	31,894	(6)	–	–
Less: cash paid as settlement		(6)		–
Net position of foreign exchange swaps		–		–

The Group settles its gains or losses on foreign exchange swaps position on a daily basis.

### 31. Deferred Tax Assets and Liabilities

- (1) For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Deferred tax assets	32,666	21,589
Deferred tax liabilities	(658,105)	(201,167)
	(625,439)	(179,578)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 31. Deferred Tax Assets And Liabilities – continued

(2) The gross movements in deferred tax assets and liabilities during the year are as follows:

	Impairment losses RMB'000	Changes in fair value of financial assets/liabilities at fair value through profit or loss RMB'000	Changes in fair value of derivatives RMB'000	Debt instruments at fair value through other comprehensive income RMB'000	Equity instruments at fair value through other comprehensive income RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2022	46,044	(93,121)	(6,804)	(11,622)	(49,228)	48,406	(66,325)
(Charge)/credit to profit or loss	(39,097)	(64,716)	(57,479)	1,865	-	(30,924)	(190,351)
Credit to equity for the year	-	-	-	-	35,192	-	35,192
Credit to other comprehensive income	-	-	-	41,673	233	-	41,906
As at 31 December 2022	6,947	(157,837)	(64,283)	31,916	(13,803)	17,482	(179,578)
(Charge)/credit to profit or loss	(2,457)	74,208	(236,121)	(3,534)	-	(46,851)	(214,755)
Charge to equity for the year	-	-	-	-	(3,968)	-	(3,968)
Charge to other comprehensive income	-	-	-	(35,018)	(75,980)	-	(110,998)
Acquisition of subsidiaries (Note 60)	-	(143)	-	-	-	(115,997)	(116,140)
As at 31 December 2023	4,490	(83,772)	(300,404)	(6,636)	(93,751)	(145,366)	(625,439)

### 32. Refundable Deposits

	2023/12/31 RMB'000	2022/12/31 RMB'000
Deposits with Stock Exchanges		
– Shanghai Stock Exchange	56,830	107,660
– Shenzhen Stock Exchange	45,452	47,712
– China Beijing Equity Exchange	1,820	1,448
Deposits with futures brokers	361,852	435,406
	465,954	592,226

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 33. Other Non-Current Assets

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Margin deposits of derivative contracts	1,247,443	624,702
Long-term prepaid assets	62,733	39,617
Others	3,077	4,559
	<b>1,313,253</b>	668,878

	2023	2022
	RMB'000	RMB'000
Long-term prepaid assets:		
Balance at beginning of the year	39,617	36,645
Additions	39,716	20,792
Acquisition of subsidiaries	6,682	–
Amortisation	(23,282)	(17,820)
Balance at end of the year	<b>62,733</b>	39,617

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 34. Other Current Assets

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Margin deposits of derivative contracts	952,894	1,486,802
Accounts receivable (Note i)	1,269,942	1,221,875
Other receivables (Note ii)	39,860	28,616
Prepaid expenses	36,186	27,163
Others	235,028	125,044
Less: Impairment allowance	(5,293)	(4,627)
	<b>2,528,617</b>	<b>2,884,873</b>

Note i: Accounts receivable

The aging analysis of accounts receivable based on the date of rendering services is as follows:

	2023/12/31		2022/12/31	
	Amount	Impairment allowance	Amount	Impairment allowance
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 year	1,268,054	175	1,219,590	94
1 to 2 years	1,250	–	1,647	–
More than 2 years	638	638	638	638
	<b>1,269,942</b>	<b>813</b>	<b>1,221,875</b>	<b>732</b>

In accordance with the requirements of IFRS 9, the Group adopts a simplified method to measure the expected credit loss for accounts receivable, that is, the Group always recognises lifetime ECL for accounts receivable. As at 31 December 2023, accounts receivable of the Group which are credit-impaired amount to RMB638 thousand, and the credit impairment allowance is RMB638 thousand (2022: accounts receivable of the Group which are credit-impaired amount to RMB638 thousand, and the credit impairment allowance is RMB638 thousand). As at 31 December 2023, the credit risk exposure of accounts receivable amounted to RMB1,273,019 thousand (2022: RMB1,226,434 thousand).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 34. Other Current Assets – continued

Note ii: Other receivables

Other receivables of the Group are mainly refundable rental deposits and government grants.

The tables below details the credit risk exposures of the Group's other receivables, which are subject to ECL assessment.

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2023	684	1,199	2,012	3,895
Changes in the loss allowance:				
– Transfer	(83)	50	33	–
– (Credit)/charged to profit or loss	(171)	863	(107)	585
As at 31 December 2023	430	2,112	1,938	4,480

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2022	879	1,220	1,844	3,943
Changes in the loss allowance:-				
– Transfer	(274)	254	20	–
– Charged/(credit) to profit or loss	79	(275)	148	(48)
As at 31 December 2022	684	1,199	2,012	3,895

Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 31 December, 2023	25,959	11,964	1,937	39,860
As at 31 December, 2022	21,838	4,766	2,012	28,616



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 35. Margin Accounts Receivable

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Margin accounts receivable	10,138,793	8,831,024
Less: Impairment allowance	(12,130)	(15,354)
	<b>10,126,663</b>	8,815,670

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 31 December 2023, impairment allowance amounting to RMB12,130 thousand was provided (31 December 2022: RMB15,354 thousand).

Margin accounts receivable as at 31 December 2023 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB26,958,557 thousand (31 December 2022: RMB25,061,882 thousand) and cash of RMB1,105,443 thousand (31 December 2022: RMB1,603,765 thousand).

The following tables show reconciliation of loss allowances that has been recognised for margin accounts receivable.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2023	5,743	9,611	–	15,354
Changes in the loss allowance:				
– Transfer	(746)	746	–	–
– Credit to profit or loss	(1,282)	(1,942)	–	(3,224)
As at 31 December 2023	<b>3,715</b>	<b>8,415</b>	–	<b>12,130</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 35. Margin Accounts Receivable – continued

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2022	10,747	2,225	–	12,972
Changes in the loss allowance:				
– Transfer	(265)	265	–	–
– (Credit)/Charged to profit or loss	(4,739)	7,121	–	2,382
As at 31 December 2022	5,743	9,611	–	15,354

The tables below details the credit risk exposures of the Group's margin accounts receivable, which are subject to ECL assessment.

#### Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 31 December, 2023	8,757,927	1,380,866	–	10,138,793
As at 31 December, 2022	7,829,020	1,002,004	–	8,831,024

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 36. Clearing Settlement Funds

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Clearing settlement funds held for clients	1,714,960	1,894,228
Proprietary clearing settlement funds	2,264,000	1,100,511
	<b>3,978,960</b>	2,994,739

### 37. Cash Held for Brokerage Clients

The Group maintains separate banking accounts with banks and authorised institutions for clients' monies arising from the normal course of business. The Group records these monies as cash held for brokerage clients under current assets, and recognises them as due to clients given that they are held liable for any loss or appropriation of these monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions as per CSRC or restricted and governed by the Securities and Futures (Client Money) Rules under the Hong Kong Securities and Futures Ordinance ("HKSFO").

### 38. Cash and Bank Balances

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Cash	4	4
Bank balances	3,165,719	2,067,856
	<b>3,165,723</b>	2,067,860

As at 31 December 2023, the restricted bank deposits of the Group were RMB720,043 thousand (31 December 2022, RMB11,080 thousand), mainly includes risk reserve deposits and custody funds.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 39. Share Capital

All shares issued by the Company are fully paid common shares, with a notional value of RMB1 per share. The number of shares and nominal value of the Company's share capital are as follows:

Domestic Shares		H Shares Total		Total	
Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

Registered, issued and fully paid

at RMB1.0 per share:

At 1 January 2022 and

31 December 2022 and

31 December 2023

2,389,133

2,389,133

442,640

442,640

2,831,773

2,831,773

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 40. Share Premium and Reserves

	Share premium RMB'000	Surplus reserve <sup>(1)</sup> RMB'000	General risk reserve <sup>(2)</sup> RMB'000	Transaction risk reserve <sup>(2)</sup> RMB'000	Revaluation reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Total RMB'000
As at 1 January 2022	8,189,045	676,925	837,286	794,660	210,920	(28,254)	(14,817)	10,665,765
Appropriation to surplus reserve	-	86,398	-	-	-	-	-	86,398
Appropriation to general risk reserve	-	-	93,360	-	-	-	-	93,360
Appropriation to transaction risk reserve	-	-	-	86,399	-	-	-	86,399
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(105,576)	-	-	(105,576)
Debt instruments at FVTOCI								
- Net fair value changes during the year	-	-	-	-	(130,612)	-	-	(130,612)
- Impairment loss for ECL	-	-	-	-	5,592	-	-	5,592
Equity instrument at FVTOCI								
- Net fair value changes during the year	-	-	-	-	(701)	-	-	(701)
Translation differences	-	-	-	-	-	21,098	-	21,098
As at 31 December 2022	8,189,045	763,323	930,646	881,059	(20,377)	(7,156)	(14,817)	10,721,723
As at 1 January 2023	<b>8,189,045</b>	<b>763,323</b>	<b>930,646</b>	<b>881,059</b>	<b>(20,377)</b>	<b>(7,156)</b>	<b>(14,817)</b>	<b>10,721,723</b>
Appropriation to surplus reserve	-	58,757	-	-	-	-	-	58,757
Appropriation to general risk reserve	-	-	63,996	-	-	-	-	63,996
Appropriation to transaction risk reserve	-	-	-	58,757	-	-	-	58,757
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	11,907	-	-	11,907
Debt instruments at FVTOCI								
- Net fair value changes during the year	-	-	-	-	115,655	-	-	115,655
- Impairment loss for ECL	-	-	-	-	(10,603)	-	-	(10,603)
Equity instrument at FVTOCI								
- Net fair value changes during the year	-	-	-	-	227,939	-	-	227,939
Translation differences	-	-	-	-	-	3,827	-	3,827
As at 31 December 2023	<b>8,189,045</b>	<b>822,080</b>	<b>994,642</b>	<b>939,816</b>	<b>324,521</b>	<b>(3,329)</b>	<b>(14,817)</b>	<b>11,251,958</b>

## 40. Share Premium and Reserves – continued

(1) Surplus reserve

Pursuant to the Company Law of the PRC, the Company's Articles of Association and resolutions of the Board, the Company is required to appropriate 10% of its profit net of the previous years' losses to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before capitalization.

(2) General risk reserve and transaction risk reserve

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007, the Company appropriates 10% of its profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its profit to the transaction risk reserve and cannot be distributed or transferred to share capital.

In accordance with the requirements of the CSRC's guidance about regulating financial institutions in the asset management business for collective asset management business of securities, interim measures on the supervision and administration of risk reserves of securities investment funds publicly raised and Measures for the Administration of Private Asset Management Business of Securities and Futures Operating Institutions, the Company and its subsidiaries appropriate 10% from their management fee income from the collective asset management schemes, investment funds and private funds to the general risk reserve.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 41. Bonds in Issue

	2023/12/31	2022/12/31
	RMB'000	RMB'000
<b>Current</b>		
Corporate bonds with fixed rate – 2023 <sup>(a)</sup>	–	800,000
Corporate bonds with fixed rate – 2023 <sup>(b)</sup>	–	1,500,000
Corporate bonds with fixed rate – 2023 <sup>(c)</sup>	–	1,500,000
Corporate bonds with fixed rate – 2023 <sup>(d)</sup>	–	1,000,000
Corporate bonds with fixed rate – 2024 <sup>(e)</sup>	999,849	–
Corporate bonds with fixed rate – 2024 <sup>(f)</sup>	1,499,844	–
Corporate bonds with fixed rate – 2024 <sup>(g)</sup>	1,000,000	–
Corporate bonds with fixed rate – 2024 <sup>(h)</sup>	1,000,000	–
Corporate bonds with fixed rate – 2024 <sup>(i)</sup>	1,500,000	–
Corporate bonds with fixed rate – 2024 <sup>(j)</sup>	2,600,000	–
Subordinated bonds with fixed rate – 2023 <sup>(k)</sup>	–	700,000
Income certificates <sup>(l)</sup>	250,000	705,000
Interest payable	443,384	391,082
	<b>9,293,077</b>	<b>6,596,082</b>
<b>Non-Current</b>		
Corporate bonds with fixed rate – 2024 <sup>(e)</sup>	–	998,859
Corporate bonds with fixed rate – 2024 <sup>(f)</sup>	–	1,499,353
Corporate bonds with fixed rate – 2024 <sup>(g)</sup>	–	1,000,000
Corporate bonds with fixed rate – 2024 <sup>(h)</sup>	–	1,000,000
Corporate bonds with fixed rate – 2024 <sup>(i)</sup>	–	1,500,000
Corporate bonds with fixed rate – 2025 <sup>(m)</sup>	1,000,000	1,000,000
Corporate bonds with fixed rate – 2025 <sup>(n)</sup>	1,100,000	1,100,000
Corporate bonds with fixed rate – 2025 <sup>(o)</sup>	1,000,000	1,000,000
Corporate bonds with fixed rate – 2026 <sup>(p)</sup>	2,000,000	–
Corporate bonds with fixed rate – 2026 <sup>(q)</sup>	3,000,000	–
Corporate bonds with fixed rate – 2026 <sup>(r)</sup>	1,300,000	–
Corporate bonds with fixed rate – 2027 <sup>(s)</sup>	1,000,000	1,000,000
Corporate bonds with fixed rate – 2027 <sup>(t)</sup>	1,000,000	1,000,000
Subordinated bonds with fixed rate – 2025 <sup>(u)</sup>	1,000,000	1,000,000
Subordinated bonds with fixed rate – 2025 <sup>(v)</sup>	1,500,000	1,500,000
Subordinated bonds with fixed rate – 2026 <sup>(w)</sup>	1,000,000	–
Subordinated bonds with fixed rate – 2026 <sup>(x)</sup>	1,000,000	–
Income certificates <sup>(l)</sup>	125,000	–
	<b>16,025,000</b>	<b>13,598,212</b>
	<b>25,318,077</b>	<b>20,194,294</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 41. Bonds in Issue – continued

- (a) On 16 January 2020, the Company issued RMB800,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.13% paid annually.
- (b) On 11 March 2020, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.60% paid annually.
- (c) On 7 June 2021, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 3.27% paid annually.
- (d) On 22 September 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 3.40% paid annually.
- (e) On 15 March 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.70% paid annually.
- (f) On 12 May 2021, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.59% paid annually.
- (g) On 28 June 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.65% paid annually.
- (h) On 30 August 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.29% paid annually.
- (i) On 22 November 2021, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.50% paid annually.
- (j) On 9 February 2023, the Company issued RMB2,600,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 669 days and a fixed coupon rate of 3.15% paid annually.
- (k) On 5 March 2020, the Company issued RMB700,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.25% paid annually.
- (l) As at 31 December 2023, income certificates were with a maturity of 90 days to 374 days and bore interest rates ranging from 2.20% to 3.30% per annum paid at maturity. (As at 31 December 2022, income certificates were with a maturity of 61 days to 128 days and bore interest rates ranging from 1.90% to 3.50% per annum paid at maturity).
- (m) On 24 January 2022, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.14% paid annually.
- (n) On 7 June 2022, the Company issued RMB1,100,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 2.99% paid annually.
- (o) On 11 November 2022, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 2.70% paid annually.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 41. Bonds in Issue – continued

- (p) On 25 August 2023, the Company issued RMB2,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 2.89% paid annually.
- (q) On 20 October 2023, the Company issued RMB3,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.14% paid annually.
- (r) On 25 April 2023, the Company issued RMB1,300,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 1,058 days and a fixed coupon rate of 3.15% paid annually.
- (s) On 23 March 2022, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 5 years and a fixed coupon rate of 3.80% paid annually.
- (t) On 28 April 2022, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 5 years and a fixed coupon rate of 3.60% paid annually.
- (u) On 24 February 2022, the Company issued RMB1,000,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.45% paid annually.
- (v) On 11 August 2022, the Company issued RMB1,500,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.10% paid annually.
- (w) On 17 April 2023, the Company issued RMB1,000,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.65% paid annually.
- (x) On 21 July 2023, the Company issued RMB1,000,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.28% paid annually.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 42. Lease Liabilities

	2023/12/31	2022/12/31
	RMB'000	RMB'000
<b>Lease liabilities payable:</b>		
Within one year	94,878	86,791
Within a period of more than one year but not more than two years	60,584	36,279
Within a period of more than two years but not more than five years	73,115	36,068
Within a period of more than five years	1,507	1,038
	<b>230,084</b>	160,176
Less: Amount due for settlement with 12 months shown under current liabilities	(94,878)	(86,791)
Amount due for settlement after 12 months shown under non-current liabilities	<b>135,206</b>	73,385

### 43. Financial Liabilities at Fair Value through Profit or Loss

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Interests of other holders in consolidated SEs (Note 1)	75,203	48,860
Income certificates with variable interests (Note 2)	1,087,549	1,530,121
	<b>1,162,752</b>	1,578,981
Analysed for reporting purpose as:		
Non-current liabilities	70,636	287,050
Current liabilities	1,092,116	1,291,931
	<b>1,162,752</b>	1,578,981

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 43. Financial Liabilities at Fair Value through Profit or Loss – continued

Note 1: Interests of other holders in consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities. The Group designates these financial liabilities as financial liabilities at fair value through profit or loss because the financial assets of the consolidated structured entities are mainly measured on a fair value basis, the designation can significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Note 2: It refers to Guolian Shengxin and Guolian Hengxin series of income certificates with variable interests issued by the Group. The series of income certificates are linked to the contracts of CSI 500 and CSI 300, etc. The Group designates the above embedded derivatives and the main contract of income certificate as financial liabilities measured at fair value.

### 44. Other Non-Current Liabilities

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Margin deposits of derivative contracts	8,754,770	4,728,712

### 45. Other Current Liabilities

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Salaries, bonus, allowances and benefits payable (Note 46)	492,484	440,290
Accounts payable	810,337	354,439
Other taxes payable	42,810	57,363
Securities investor protection fund	4,761	6,751
Provisions (Note 53)	1,869	1,869
Margin deposits of derivative contracts	2,173,483	2,623,126
Deferred income	6,850	8,280
Others	91,374	52,562
	3,623,968	3,544,680

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 46. Payroll and Welfare

	2023/01/01	Acquisition of subsidiaries	Current year charge	Current year payment	2023/12/31
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and bonus	432,698	48,143	1,078,898	1,071,257	488,482
Pension	1,291	–	174,364	173,647	2,008
Other social security	1,240	1,076	108,193	108,693	1,816
Other welfare	5,056	–	31,615	36,671	–
Labour union funds and employee education funds	5	165	10,801	10,793	178
Termination benefits	–	–	2,987	2,987	–
	440,290	49,384	1,406,858	1,404,048	492,484

	2022/01/01	Current year charge	Current year payment	2022/12/31
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and bonus	573,298	870,169	1,010,769	432,698
Pension	10,170	140,555	149,434	1,291
Other social security	771	82,025	81,556	1,240
Other welfare	–	29,294	24,238	5,056
Labour union funds and employee education funds	5	5,363	5,363	5
Termination benefits	–	882	882	–
	584,244	1,128,288	1,272,242	440,290

The Group has provided a pension plan for full-time employees in Mainland China as required by the government, including basic pension insurance and corporate annuity plan. Namely, the Group pays endowment insurance premiums to the social insurance institution designated by the government on a monthly basis, which account for a certain percentage of the total salaries of the staff. After the retirement of the employees, the government is obliged to pay the pensions to them. According to the aforesaid defined contribution plan, the Group shall not be liable for the post-retirement benefits beyond the above contributions. Contributions to the plan will be included in the cost at the time of occurrence.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 46. Payroll and Welfare – continued

In addition, the Group provides relevant defined contribution plan for its qualified employees outside of Mainland China in accordance with local labour laws.

The Group did not forfeit any retirement benefit plan contributions, and there are no forfeited contributions under the Group's retirement benefit plans that can be used to deduct the contributions payable in future years.

### 47. Contract Liabilities

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Investment banking service fees received in advance	571	6,472
Investment management service fees received in advance	16,981	9,233
	17,552	15,705

### 48. Due to Other Financial Institutions

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Due to banks	5,314,014	450,085
Due to China Securities Finance Corporation Limited	–	450,131
	5,314,014	900,216



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 49. Financial Assets Sold under Repurchase Agreements – continued

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Analysed by transaction type:		
– Pledged	14,194,131	14,923,970
– Outright	227,433	68,711
	<b>14,421,564</b>	14,992,681

As at 31 December 2023 and 2022, the fair value of the financial assets that had been placed as financial assets sold under repurchase agreements of the Group were listed as below:

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Debt securities	17,658,537	19,801,159
Commercial papers	–	98,914
	<b>17,658,537</b>	19,900,073

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 50. Accounts Payable to Brokerage Clients

Accounts payable to brokerage clients mainly include money held for clients placed at banks and at clearing houses by the Group, and are interest bearing at the prevailing market interest rates. The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

As at 31 December 2023, cash collateral received from clients for margin financing and securities lending arrangements amounted to RMB1,098,478 thousand (31 December 2022: RMB1,601,772 thousand), and are included in the Group's accounts payable to brokerage clients.

## 51. Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include amounts that can be used to meet short-term cash commitments.

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Cash	4	4
Bank balances (Note)	1,085,700	1,523,835
Proprietary clearing settlement funds	2,264,000	1,100,511
Cash equivalents		
– Financial assets held under resale agreements with original maturity at or less than 3 months	3,971,301	1,099,632
	<b>7,321,005</b>	<b>3,723,982</b>

Note: Bank balances do not include interest receivable from deposits and are all with original maturity of three months or less.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 52. Transfer of Financial Assets

In the normal course of business, the Group enters into certain transactions in which it transfers recognised financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets.

### (1) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to clients for them to sell, for which the clients are required to provide collateral that could fully cover the credit exposure of the securities lent, and have the obligation to return the securities to the Group in accordance with the contracts. In certain circumstances, if the securities increase or decrease in value, the Group may require additional collateral from the clients or have to return part of the collateral it holds to the clients. In these instances, the Group believes that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them.

As at 31 December 2023, the Group's financial assets at FVTPL and Equity instrument at FVTOCI used for securities lending amounted to RMB211,200 thousand and nil, respectively.

### (2) Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retain substantially all the risks and rewards of these securities.

The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 52. Transfer of Financial Assets – continued

### (2) Repurchase agreements – continued

The following table analyses the carrying amount of the above mentioned financial assets transferred to the third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	2023/12/31		2022/12/31	
	Carrying amount of transferred assets RMB'000	Carrying amount of related liabilities RMB'000	Carrying amount of transferred assets RMB'000	Carrying amount of related liabilities RMB'000
Bonds	17,688,322	(14,421,564)	19,801,159	(14,892,681)
Commercial papers	–	–	98,914	(100,000)
	17,688,322	(14,421,564)	19,900,073	(14,992,681)

## 53. Commitments and Contingent Liabilities

### (1) Capital commitments

As at 31 December 2023, the Group was not involved in any material capital commitments (31 December 2022: the same).

### (2) Legal proceedings

On 20 September 2019, the Company received a notice of response to a lawsuit filed by a client in Wuxi Intermediate People's Court of Jiangsu Province against the Company over the dispute over securities pledged repurchase transaction, claiming that the Company should refund the overcharged amount and losses totaling RMB55,517 thousand to a third-party. On 15 April 2020, the Wuxi Intermediate People's Court issued a civil ruling which rejected this lawsuit. The client filed an appeal on 29 May 2020, and the case is currently under trial. The Company has recognised provisions of RMB1,869 thousand in respect of the above case as at 31 December 2023 (31 December 2022: RMB1,869 thousand).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 53. Commitments and Contingent Liabilities – continued

### (2) Legal proceedings – continued

In June 2021, a total of 15 investors filed a lawsuit in Jinan Intermediate People's Court of Shandong Province on the grounds of liability disputes over securities false statements, demanding Shandong Longli Biotechnology Co., LTD. (hereinafter referred to as "Longli Biotechnology") to compensate investors for losses of 2,762,100 yuan in total due to its securities false behaviors. The case was tried on October 28, 2021. Jinan Intermediate People's Court of Shandong Province ruled that the case should be tried through ordinary representative proceedings and registered as a right holder.

In August 2022, Huaying Securities, a wholly-owned subsidiary of the Group, received the Summons for Court Session, the Notice to Produce Evidence, and the Notice of Notification to the Members of the Trial Division issued by the Intermediate People's Court of Jinan City, Shandong Province on August 2, 2022, with 1,628 investors of Longli biotechnology claiming for compensation of plaintiff for the investment loss, commission, stamp duty, litigation costs and other fees, caused by the misrepresentation. As the sponsor and securities underwriter of the listing of Longli Bio, Huaying Securities co-underwent joint and several liability with 12 other natural persons and BDO China Shu Lun Pan Certified Public Accountants LLP.

On November 9, 2022, the Jinan Intermediate People's Court issued the Civil Ruling ((2021) 3 Lu 01 Minchu No. 1377-bis), holding that the case needed to be based on the outcome of other cases by the CSRC, so it suspended the trial of the case. The above-mentioned case has not yet been heard, and the total amount claimed by the plaintiffs is still in the process of statistics. Due to this is still an early stage of the legal proceedings, according to the judgment of the management, the Group has not accrued any provisions for the potential claims.

### (3) Guarantee for overseas subsidiaries

The Board Meeting of the Company held on 24 August 2021 approved the proposal on providing guarantee for Guolian securities (Hong Kong) Co., Ltd. and its wholly-owned subsidiaries with a total amount of no more than US \$100 million, which will be effective within 24 months from the date of approval by the Board of Directors. No guarantee was utilized by Guolian securities (Hong Kong) Co., Ltd. and its wholly-owned subsidiaries during the validity period of the guarantee.

The Board Meeting of the Company held on 27 October 2023 approved the proposal on the renewal of the guarantee for Guolian securities (Hong Kong) Co., Ltd. and its wholly-owned subsidiaries with a total amount of no more than US \$100 million, which will be effective within 24 months from the date of approval by the Board of Directors. As at 31 December 2023, no guarantee was utilized by Guolian securities (Hong Kong) Co., Ltd. and its wholly-owned subsidiaries.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 54. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bonds in issue	Borrowings	Lease Liabilities	Dividend Payable	Financial liabilities at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	20,194,294	-	160,176	-	1,530,121	21,884,591
Financing cash flows						
- Additional bonds in issue	16,486,324	-	-	-	2,685,611	19,171,935
- Repayment of bonds in issue	(11,396,000)	-	-	-	(3,171,201)	(14,567,201)
- Repayment of principal of lease liabilities	-	-	(112,342)	-	-	(112,342)
- Interest paid	(763,422)	-	(8,218)	-	-	(771,640)
Non-cash changes						
- Interest expenses	796,881	-	8,268	-	-	805,149
- New leases	-	-	120,510	-	-	120,510
- Changes of fair value	-	-	-	-	43,018	43,018
- Acquisition of subsidiaries	-	-	61,690	-	-	61,690
At 31 December 2023	25,318,077	-	230,084	-	1,087,549	26,635,710
At 1 January 2022	18,232,417	38,268	166,794	-	971,561	19,409,040
Financing cash flows						
- Dividend paid	-	-	-	(283,177)	-	(283,177)
- Repayment of short-term borrowings	-	(38,268)	-	-	-	(38,268)
- Additional bonds in issue	10,464,486	-	-	-	7,916,560	18,381,046
- Repayment of bonds in issue	(8,549,485)	-	-	-	(7,241,451)	(15,790,936)
- Repayment of principal of lease liabilities	-	-	(80,916)	-	-	(80,916)
- Interest paid	(644,355)	(1,347)	(7,257)	-	-	(652,959)
Non-cash changes						
- Dividend declared	-	-	-	283,177	-	283,177
- Interest expenses	691,231	1,347	6,552	-	-	699,130
- New leases	-	-	75,003	-	-	75,003
- Changes of fair value	-	-	-	-	(116,549)	(116,549)
At 31 December 2022	20,194,294	-	160,176	-	1,530,121	21,884,591

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 55. Related Party Transactions

### 55.1 Transactions and balances with the Company's controlling shareholder – Guolian Group

Wuxi Guolian Development (Group) Co., Ltd. (collectively referred to as “Guolian Group” together with its subsidiaries) is a wholly state-owned company established in the PRC with a registered capital of RMB8,391,110 thousand. As at 31 December 2023, Guolian Group directly held 19.21 % of the equity interest in the Company. In addition, Guolian Group also indirectly held 29.40% equity interest in Company through its subsidiaries of Guolian Trust Co., Ltd. (“Guolian Trust”), Wuxi Guolian Municipal Electric Power Company (“Wuxi Electric”), Wuxi Yi Mian Textile Group Co., Ltd. (“Yi Mian Textile”), Wuxi Min Sheng Investment Co., Ltd. (“Min Sheng Investment”) and Wuxi Huaguang Environment & Energy Group Co., Ltd. (“Wuxi Huaguang”).

Guolian Trust is the subsidiary of Guolian Group who directly or indirectly held 91.87% of the equity interest. As at 31 December 2023, Guolian Trust held 13.78% of the equity interest in the Company.

Wuxi Electric is an indirect wholly-owned subsidiary of Guolian Group. As at 31 December 2023, Wuxi Electric held 9.43% of the equity interest in the Company.

Yi Mian Textile is a direct wholly-owned subsidiary of Guolian Group. As at 31 December 2023, Yi Mian Textile held 2.57% of the equity interest in the Company.

Min Sheng Investment is an indirect wholly-owned subsidiary of Guolian Group. As at 31 December 2023, Min Sheng Investment held 2.60% of the equity interest in the Company.

Wuxi Huaguang is the subsidiary of Guolian Group who directly held 72.23% of the equity interest. As at 31 December 2023, Wuxi Huaguang held 1.03% of the equity interest in the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 55. Related Party Transactions – continued

### 55.1 Transactions and balances with the Company's controlling shareholder – Guolian Group – continued

#### Transactions during the year

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Interest expense of lease obligation	16	–
Income from providing bond underwriting services	2,245	2,028

#### Balances at the end of the year

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Cash held for brokerage clients	–	<1
Lease liabilities	534	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 55. Related Party Transactions – continued

### 55.2 Other major related party transactions and balances

The table below lists the Group's other significant related parties as at 31 December 2023.

Significant related legal entities	The relationship with the Group
Guolian Futures	Fellow subsidiary
Wuxi Guolian Xincheng Investment Co., Ltd. ("Guolian Xincheng")	Fellow subsidiary
Wuxi Guolian Property Management Co., Ltd. ("Guolian Property Management")	Fellow subsidiary
Jiangsu Asset Management Co., Ltd.	Fellow subsidiary
Wuxi Taigong Sanatorium Co., Ltd. ("Taigong Sanatorium")	Fellow subsidiary
Jiangsu Lianjia Asset Management Co., Ltd. ("Lianjia Asset Management")	Fellow subsidiary
Wuxi Union Financing Guarantee Co., Ltd. ("Union Financing Guarantee")	Fellow subsidiary
Wuxi Guolian Integrated Circuit Investment Center L.P. ("Integrated Circuit Investment Center")	Fellow subsidiary
Wuxi Yimian Investment Co., Ltd.	Fellow subsidiary
Wuxi Talent Market Co., Ltd.	Fellow subsidiary
Guolian Life Insurance Co., Ltd.	Associate invested by the controlling shareholder of the Company
Wuxi Guolian Xinchuang Private Investment Fund Co., Ltd. ("Guolian Xinchuang")	Associate invested by the controlling shareholder of the Company
Wuxi Culture Tourism Development Group Co., Ltd.	Associate invested by the controlling shareholder of the Company
Wuxi Rural Commercial Bank ("WRCB")	The director of the Company acts as a director of WRCB
Wuxi Guofa Capital Operation Co., Ltd. ("Guofa Capital")	The director of the Company acts as a director of Guofa Capital
Wuxi Public Utilities Industrial Group Co., Ltd. ("Public Utilities Industrial Group")	The director of the controlling shareholders of Company acts as a director of Public Utilities Industrial Group
Wuxi Industry Development Group Co., Ltd. ("Industry Development Group")	The director of the controlling shareholders of Company acts as a director of Industry Development Group
Jiangsu Longda Superalloy Co., Ltd. ("Longda Superalloy")	The Senior management of the controlling shareholder of the Company acted as a director of Longda Superalloy
Founder Securities Co., Ltd. ("Founder Securities")(Note)	The senior management of the Company acted as a senior management of Founder Securities
Wuxi Xinfra Group Co., Ltd ("Xinfra Group")	The supervisor of the Company acts as a director of Industry Xinfra Group

Note: Mr. Yin Lei has been appointed as Vice President and Head of Finance since June 2022. Mr. Yin Lei acted as senior manager of Founder Securities and resigned in April 2022, therefore Founder Securities was deemed as the related party of the Company from June 2022 to April 2023.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 55. Related Party Transactions – continued

### 55.2 Other major related party transactions and balances – continued

#### Transactions during the year

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Income from providing securities brokerage services		
– Guolian Trust	1,876	5,061
– Zhonghai Fund Management Co., Ltd.	2,361	1,555
– Guolian Futures	436	554
– Guolian Life Insurance Co., Ltd.	12	87
– Others	1,449	926
Income from providing bond underwriting services		
– Longda Superalloy	–	89,620
– Jiangsu Asset Management Co., Ltd.	1,415	1,415
– Guolian Life Insurance Co., Ltd.	–	264
– Public Utilities Industrial Group	415	415
– XinFa Group	832	–
– Wuxi Culture Tourism Development Group Co., Ltd.	453	–
Income from providing financial advisory services		
– Guolian Trust	186	413
– Jiangsu Asset Management Co., Ltd.	–	330
– Industry Development Group	–	236
– Union Financing Guarantee	–	142
– Wuxi Yimian Investment Co., Ltd	189	–
Income from providing asset management services		
– Jiangsu Asset Management Co., Ltd.	420	832
– Lianjia Asset Management	827	829
– Guolian Life Insurance Co., Ltd.	136	188
– WRCB	–	122
– Taigong Sanatorium	22	30
– Public Utilities Industrial Group	742	179
– Others	730	293



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 55. Related Party Transactions – continued

### 55.2 Other major related party transactions and balances – continued

#### Transactions during the year – continued

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Income from providing investment advisory services		
– Guolian Trust	539	2,280
– Guolian Futures	–	1,887
– Guolian Xinchuang	236	849
– WRCB	–	211
– Jiangsu Asset Management Co., Ltd.	472	189
– Integrated Circuit Investment Center	3,774	–
– Others	80	90
Expense for receiving futures investment advisory services		
– Guolian Futures	–	1,321
Investment losses		
– Founder Securities	795	849
– Others	2	97
Rental income		
– Guolian Life Insurance Co., Ltd.	484	484
– Guolian Futures	55	108
Rental expense		
– Jiangsu Asset Management Co., Ltd.	364	1,178
– Others	301	301

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 55. Related Party Transactions – continued

### 55.2 Other major related party transactions and balances – continued

#### Transactions during the year – continued

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Interest expense on due to other financial institutions		
– WRCB	2	479
Interest expense on financial assets sold under repurchase agreements		
– Guofa Capital	–	119
– Others	2	100
Interest expense of lease liabilities		
– Guolian Xincheng	242	751
– Guolian Life Insurance Co., Ltd.	18	42
Expense for receiving services		
– Guolian Property Management	6,864	6,333
– Taigong Sanatorium	1,223	1,195
– Guolian Xincheng	603	613
– Guolian Futures	1,859	393
– Guolian Life Insurance Co., Ltd.	210	211
– Wuxi Talent Market Co.,Ltd.	1,179	–
– Others	623	393

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 55. Related Party Transactions – continued

### 55.2 Other major related party transactions and balances – continued

Balances at the end of the year

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Accounts payable		
– Guolian Life Insurance Co., Ltd.	50	50
Lease liabilities		
– Guolian Xincheng	9,742	10,953
– Guolian Life Insurance Co., Ltd.	212	1,042
Contract liabilities		
– Integrated Circuit Investment Center	–	4,000
Clearing settlement funds		
– Guolian Futures	656,439	32,616
Refundable deposits		
– Guolian Futures	207,144	17,634
Financial Derivative asset/(liability)		
– Founder Securities (Note)	–	1,031
– Founder Securities (Note)	–	(1,044)
Cash held for brokerage clients		
– Guolian Trust	11,690	7,219
– Zhonghai Fund Management Co., Ltd.	6	6
– Others	111,446	67,580

Note: As at 31 December 2023, Founder Securities is not related party of the Group.

## 55. Related Party Transactions – continued

### 55.2 Other major related party transactions and balances – continued

#### Balances at the end of the year – continued

As at 31 December 2023, the Group did not hold wealth management products issued by related parties. (31 December 2022: the Group held wealth management products issued by Guolian Trust amounted to RMB50,085 thousand).

For the year ended 2023, the Group did not trade securities with related parties. (2022: the Group traded with Founder Securities with a cumulative amount of RMB513,265 thousand).

As at 31 December 2023, the product managed by WRCB held the subordinated bonds issued by the Group amounted to RMB90,000 thousand. (31 December 2022: Nil).

### 55.3 Key management personnel

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the board of directors, board of supervisors and other members of the senior management.

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Short term employee benefits	17,750	20,398
Post-employment benefits	1,720	1,762
	<b>19,470</b>	22,160

In addition to the above paid short-term employee benefits of current year, during the year ended 31 December 2023, the Company paid accrued remuneration which was deferred to 2023 in previous years to directors, supervisors, and senior management personnel amounted to RMB7,097 thousand (During the year ended 31 December 2022, RMB3,960 thousand).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 56. Financial Risk Management

### 56.1 Summary

The Group's risk management objective is to establish a sound risk management system and effective management mechanism to ensure that the risk is controlled under a tolerable level, achieve a sustainable development and reduce the uncertainty of achieving business plans.

Based on the risk management objective, the Group's risk management strategy is to identify and analyse various risks faced by the Group, establish an appropriate risk tolerance bottom line for risk management and measure, monitor, report and respond to various risks in a timely and reliable manner to control risks within the limits set by the Group.

The risks involved in the daily operations of the Group mainly include credit risk, market risk and liquidity risk. The Group has established policies and procedures to identify and analyse these risks, and to set appropriate indicators, limits, policies and internal control processes to manage these risks through continuous monitoring by information systems.

The Company has formulated the "Basic Principle for Comprehensive Risk Management of of Guolian Securities Co., Ltd.", which specifies the Company's risk management objectives, principles, organizational structure, authorization system, related responsibilities and relevant procedures, etc.; and has formulated the "Liquidity Risk Management Measures of Guolian Securities Co., Ltd.", "Liquidity Risk Contingency Plan of Guolian Securities Co., Ltd.", "Market Risk Management Measures of Guolian Securities Co., Ltd.", "Credit Risk Management Measures of Guolian Securities Co., Ltd.", and "Operational Risk Management Measures of Guolian Securities Co., Ltd." for different types of risks, which standardised the methods and processes for the identification, response and reporting of various risks, to ensure the Company achieves the risk management goal of "measurable, controllable and tolerable".

## 56. Financial Risk Management – continued

### 56.1 Summary – continued

The Company has established a comprehensive and multi-level risk management system including the Board of Directors and risk control committee, senior management and risk management committees, risk management departments and other risk management-related functional departments, and risk management organizations set within departments. The Company's Board of Directors takes the ultimate responsibility for the Company's risk management and authorizes the risk control committee to fulfil its partial functions regarding comprehensive risk management; the Company's management assumes the responsibility for organizing and implementing comprehensive risk management tasks in business management, and authorizes the Chief Risk Officer being responsible for leading and organizing the overall risk management work; the Company's risk management departments includes the Risk Management Department and other risk management functional departments. The risk management departments are responsible for establishment of the Company's risk management system, identifying and evaluating the risks faced by the Company's business activities, carrying out daily risk monitoring, inspection and evaluation, and raising recommendation and improving the Company's risk management system. The Risk Management Department supervises, evaluates and reports on the relevant work of the risk management functional departments and shall be responsible to the Chief Risk Officer for risk management; the Company's business departments and risk management organizations within its branches are responsible for the specific implementation of risk management.

### 56.2 Credit risk

Credit risk refers to the risk of counterparty's failure or inability to meet its payment obligations, or the risk of loss due to declining credit rating.

The Group's credit risks mainly come from risk of default by the counterparty in fixed-income investment business, margin finance business including margin accounts receivable, equity securities held under resale agreements, and OTC derivative business and etc.

In terms of the fixed-income investment business, the Company has established a pool of target bonds, conducted necessary due diligence and provided internal ratings for the bonds that will be traded or used in spot transactions, repurchase transactions, forwards, and lending transactions. The Company established multi-level mechanism of internal approval. For the pool of target bonds, the Company has established the tracking mechanism on a regular or irregular basis, to continuously track changes in credit status. Meanwhile, the Company has established a credit risk indicator system such as concentration of single issuer, industry concentration and etc.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 56. Financial Risk Management – continued

### 56.2 Credit risk – continued

In terms of the financing business, the Company has established a strict layered review and evaluation mechanism, and formed a multi-level approval and authorization mechanism. The Company assesses the credit standing of the borrower by analysing the shareholder's background, operating conditions, and financial status. As for the evaluation of the collateral to be pledged, the quality of the collateral is analysed through a combination of qualitative and quantitative methods, and based on its liquidity index, market performance and other indicators that can be quantitatively measured. The Company has established a multi-dimensional financing business indicator system, including concentration indicators, loan-to-collateral ratio, early warning of closing position, ceilings of pledge ratio, and facility limit, etc., and manages credit risk exposure through timely mark-to-market method.

In terms of the credit risk of counterparties, the Company has developed rating criteria for counterparties and established a counterparty white list to manage counterparties' facility and limit according to their risk levels. The Company regularly, annually at least, updates the white list of counterparties, and adjusts the ratings of counterparties with consideration of any negative public media reports. In addition, the Company manages the credit risk exposures by means of mark-to-market, margin call or forced liquidation.

The credit risk of the Group also comes from the securities business. If the customer fails to deposit sufficient funds for trading, the Group may need to use its own funds to complete the settlement of the transactions. The Group requires customers to deposit the funds required for transactions in full before settlement to reduce related credit risks.

#### 56.2.1 Expected credit loss

The Group has applied the ECL model to measure the expected credit losses for applicable financial asset.

The Group has used the "3 Stage" ECL model to assess the credit losses when its credit risk has increased significantly since initial recognition.

- An asset is classified as Stage 1 where there has been low risk of default or has not been a significant increase in credit risk. The Group will continuously monitor its credit risk.

## 56. Financial Risk Management – continued

### 56.2 Credit risk – continued

#### 56.2.1 Expected credit loss – continued

- An asset is classified as Stage 2 where there has been a significant increase in credit risk since initial recognition but that are not credit impaired. The Group does not see it as a credit impaired instrument.
- An asset is classified as Stage 3 when it is credit impaired.
- The impairment loss for financial instruments in Stage 1 is expected credit losses for the next 12 months, which corresponds to the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. In the Stage 2 or 3, the expected credit losses of financial instruments are measured for the entire life time.
- Purchased or originated credit impaired financial assets refer to those with credit impairment since initial recognition. The impairment allowances of these assets are measured as the expected credit loss for the entire life time.

For accounts receivable, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

For the factors the Group considers whether there have been significant increase in credit risk, please refer to Note 3. In particular, for margin accounts receivable and financial assets held under resale agreement, the Group generally believes that when the loan-to-collateral ratio reaches the warning line, the credit risk increases significantly and the relevant asset needs to be transferred to Stage 2, and when the coverage ratio reaches the liquidation line or expect there would be loss after closing the position mandatorily, it will be transferred to Stage 3.

The Group uses Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) to measure credit risks.

- PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life time.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 56. Financial Risk Management – continued

### 56.2 Credit risk – continued

#### 56.2.1 Expected credit loss – continued

- LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements

The expected credit losses are measured based on the probability weighted results of PD, EAD and LGD.

During the year ended 31 December 2023, no significant changes were made in the techniques of estimation or key assumptions.

The assessment of significant increase in credit risk and the measurement of expected credit losses all involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators affecting the credit risk and expected credit losses of each asset portfolio. Key economic indicators include macroeconomic indicators and indicators that can reflect market volatility. Estimates of the predicted values and the likelihood of occurrence are highly inherently uncertain, so the actual results may differ significantly from the predictions. The Group believes that these projections reflect the best estimates of the Group on the possible results.

For the year ended 31 December 2023, the important macroeconomic assumptions used by the Group in the forward-looking model include the cumulative growth rate of GDP at constant price, the growth rate of the consumer price index, and the China Manufacturing Purchasing Managers' Index.

For the year ended 31 December 2023, the macroeconomic forward-looking adjustment factors used by the Group in the evaluation of the expected credit loss measurement model have considered the impact of the deep adjustment of the real estate market on investment in relevant sectors during the economic recovery, the damage to residents' balance sheets that may inhibit consumption repair, and the exposure of fiscal and financial risks in some areas. To be prudent, the Group has determined a higher weight for the neutral scenario, and the second is pessimistic scenario. Assuming that the weight of pessimistic scenario is reduced by 10% and the weight of benchmark scenario increased by 10%, the Group's credit impairment provision will be reduced by RMB1,236 thousand.

The Group has classified exposures with similar risk characteristics when calculating expected credit loss impairment in a portfolio. During the classification, the Group obtained sufficient information to ensure its statistical reliability.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 56. Financial Risk Management – continued

### 56.2 Credit risk – continued

#### 56.2.2 Maximum credit risk exposure

Before considering collateral or other credit enhancement methods, the maximum credit risk exposure is the carrying amount of financial assets (net of provisions for impairment). The maximum credit risk exposure of the Group is as follows:

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Refundable deposits	465,954	592,226
Other assets	3,507,924	3,361,927
Margin accounts receivable	10,126,663	8,815,670
Financial assets held under resale agreements	5,306,914	3,263,816
Financial assets at FVTPL		
– Debt securities	22,265,867	18,831,676
– Asset backed securities	1,419,047	782,592
– Commercial papers	–	98,870
Debt instrument at FVTOCI	7,083,357	8,363,285
Derivative financial assets	1,747,243	979,879
Clearing settlement funds	3,978,960	2,994,739
Cash held for brokerage clients	6,650,429	7,964,935
Cash and bank balances	3,165,723	2,067,860
	<b>65,718,081</b>	<b>58,117,475</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 56. Financial Risk Management – continued

### 56.2 Credit risk – continued

#### 56.2.3 Credit rating of debt investments

The Group monitors the credit risk profile of the debt securities portfolio held based on credit ratings, which are obtained from major rating agencies in the PRC where debt issuers are located.

	Debt instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000
31 December 2023		
Issuers in Mainland China (Note 1)		
Chinese Treasury bond, Central bank bills, CDB bonds	1,713,980	4,058,434
Policy financial bonds	504,571	840,729
Local government bonds	522,133	210,084
AAA	1,637,314	10,655,072
AA- to AA+	2,630,314	7,296,748
Below AA-	3,647	30,248
Unrated	71,398	293,584
Sub-total	7,083,357	23,384,899
Issuers in Hong Kong and other regions		
AAA	–	84,505
AA+	–	140,516
No domestic rating (Note 2)	–	74,994
Sub-total	–	300,015
<b>Total</b>	<b>7,083,357</b>	<b>23,684,914</b>

## 56. Financial Risk Management – continued

### 56.2 Credit risk – continued

#### 56.2.3 Credit rating of debt investments – continued

Note 1: AAA-AA- and Below AA- refer to debt ratings. If there is no debt rating or the rating is A-1, the higher one between the principal rating and the guarantee rating will be chosen, with AAA being the highest rating; Unrated means that the credit rating agency has not rated the entity or debt.

Note 2: The domestic rating of the entity is preferred for overseas debt rating. If there is no domestic entity rating, it will be summarized in the “No domestic rating” column.

### 56.3 Market risk

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, exchange rate risk or price risk.

#### 56.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group utilises sensitivity analysis as the main tool for monitoring interest rate risk and measuring the impact of a reasonable and possible change of interest rate on its total profit and equity, assuming all other variables remain unchanged.

The table below presents the residual maturities of the Group’s financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 56. Financial Risk Management – continued

### 56.3 Market risk – continued

#### 56.3.1 Interest rate risk – continued

As at 31 December 2023

	Within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
<b>Financial assets</b>						
Refundable deposits	-	-	-	-	465,954	465,954
Other assets	-	-	-	-	3,507,924	3,507,924
Margin accounts receivable	4,692,278	5,434,385	-	-	-	10,126,663
Financial assets held under resale agreements	4,217,881	888,697	200,336	-	-	5,306,914
Financial assets at FVTPL	1,904,566	10,221,008	9,282,740	1,935,876	15,683,053	39,027,243
Debt instruments at FVTOCI	855,198	1,582,383	4,128,449	400,245	117,082	7,083,357
Equity instruments at fair value through other comprehensive income	-	-	-	-	3,600,396	3,600,396
Financial derivative assets	-	-	-	-	1,747,243	1,747,243
Clearing settlement funds	3,978,960	-	-	-	-	3,978,960
Cash held for brokerage clients	6,650,429	-	-	-	-	6,650,429
Cash and bank balances	2,882,579	283,144	-	-	-	3,165,723
	<b>25,181,891</b>	<b>18,409,617</b>	<b>13,611,525</b>	<b>2,336,121</b>	<b>25,121,652</b>	<b>84,660,806</b>
<b>Financial liabilities</b>						
Bonds in issue	(1,378,118)	(7,778,315)	(16,161,644)	-	-	(25,318,077)
Other liabilities	-	-	-	-	(11,834,272)	(11,834,272)
Financial assets sold under repurchase agreements	(14,421,564)	-	-	-	-	(14,421,564)
Financial liabilities at FVTPL	-	-	-	-	(1,162,752)	(1,162,752)
Financial Derivative liabilities	-	-	-	-	(447,643)	(447,643)
Accounts payable to brokerage clients	(9,046,099)	-	-	-	-	(9,046,099)
Lease liabilities	(25,161)	(65,248)	(129,736)	(9,939)	-	(230,084)
Due to other financial institutions	(5,314,014)	-	-	-	-	(5,314,014)
	<b>(30,184,956)</b>	<b>(7,843,563)</b>	<b>(16,291,380)</b>	<b>(9,939)</b>	<b>(13,444,667)</b>	<b>(67,774,505)</b>
Interest rate sensitivity gap	<b>(5,003,065)</b>	<b>10,566,054</b>	<b>(2,679,855)</b>	<b>2,326,182</b>	<b>11,676,985</b>	<b>16,886,301</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 56. Financial Risk Management – continued

### 56.3 Market risk – continued

#### 56.3.1 Interest rate risk – continued

As at 31 December 2022

	Within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
<b>Financial assets</b>						
Refundable deposits	-	-	-	-	592,226	592,226
Other assets	-	-	-	-	3,361,927	3,361,927
Margin accounts receivable	4,402,443	4,413,227	-	-	-	8,815,670
Financial assets held under resale agreements	1,904,619	1,359,197	-	-	-	3,263,816
Financial assets at FVTPL	1,504,873	8,534,332	8,670,125	706,134	13,020,379	32,435,843
Debt instruments at FVTOCI	5,343	229,330	7,354,498	637,229	136,885	8,363,285
Equity instruments at fair value through other comprehensive income	-	-	-	-	2,926,193	2,926,193
Financial derivative assets	-	-	-	-	979,879	979,879
Clearing settlement funds	2,994,739	-	-	-	-	2,994,739
Cash held for brokerage clients	7,964,935	-	-	-	-	7,964,935
Cash and bank balances	1,624,744	443,116	-	-	-	2,067,860
	20,401,696	14,979,202	16,024,623	1,343,363	21,017,489	73,766,373
<b>Financial liabilities</b>						
Short-term borrowings	-	-	-	-	-	-
Bonds in issue	(3,125,164)	(3,217,586)	(13,851,544)	-	-	(20,194,294)
Other liabilities	-	-	-	-	(7,765,411)	(7,765,411)
Financial assets sold under repurchase agreements	(14,992,681)	-	-	-	-	(14,992,681)
Financial liabilities at FVTPL	-	-	-	-	(1,578,981)	(1,578,981)
Financial Derivative liabilities	-	-	-	-	(501,076)	(501,076)
Accounts payable to brokerage clients	(10,797,281)	-	-	-	-	(10,797,281)
Lease liabilities	(19,230)	(67,562)	(72,346)	(1,038)	-	(160,176)
Due to other financial institutions	(900,216)	-	-	-	-	(900,216)
	(29,834,572)	(3,285,148)	(13,923,890)	(1,038)	(9,845,468)	(56,890,116)
Interest rate sensitivity gap	(9,432,876)	11,694,054	2,100,733	1,342,325	11,172,021	16,876,257

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 56. Financial Risk Management – continued

### 56.3 Market risk – continued

#### 56.3.1 Interest rate risk – continued

##### *Sensitivity analysis*

The following table illustrates the potential impact, of a parallel upward or downward shift of 25 basis points in interest rate curves on the Group's net profit and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of the reporting period.

	2023/12/31	2022/12/31
	RMB'000	RMB'000
<b>Net profit after tax</b>		
Increase by 25 bps	(51,739)	(46,514)
Decrease by 25 bps	52,251	46,751
<b>Other comprehensive income</b>		
Increase by 25 bps	(21,875)	(40,780)
Decrease by 25 bps	22,190	41,240

The sensitivity analysis on net profit and other comprehensive income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, basis risk or any prepayment options on debt securities into consideration. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallel yield curve movements.

The Group believes that above assumption does not represent the Group's policy on the use of funds and interest rate risk management, so the impact of sensitivity analysis may vary according to the actual situation.

In addition, the above analysis of the impact of changes in interest rate is only an illustrative example, showing the estimated changes in net profit and other comprehensive income under various expected situations and the current interest rate risk position of the Group. However, the impact did not consider the risk management activities that the management might take to reduce interest rate risk.

## 56. Financial Risk Management – continued

### 56.3 Market risk – continued

#### 56.3.2 Exchange rate risk

Exchange rate risk refers to the possibility of loss of the Group's assets or liabilities due to exchange rate changes. The Group operates principally in the PRC. Except the subsidiaries in Hong Kong, the majority of recognised assets and liabilities are denominated in RMB and the majority of transactions are settled in RMB. The Group does not hold or issue any derivative financial instruments to manage its exposure to exchange rate risk.

As at 31 December 2023, assuming other variables remain unchanged, if foreign currencies appreciate or depreciate by 1% against RMB, the Group's net profit before tax in 2023 will decrease or increase by RMB751 thousand (2022: RMB689 thousand).

#### 56.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity securities, investment funds, convertible bonds, exchangeable bonds, derivatives and collective asset management scheme whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 56. Financial Risk Management – continued

### 56.3 Market risk – continued

#### 56.3.3 Price risk – continued

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

#### *Sensitivity analysis*

The analysis below shows the impact on profit after income tax and equity due to change in the prices of financial assets, including stocks, funds, derivatives and collective asset management schemes by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit after income tax and shareholders' equity, while a negative result indicates otherwise.

	2023/12/31	2022/12/31
	RMB'000	RMB'000
<b>Profit after income tax</b>		
Increase by 10%	404,078	616,796
Decrease by 10%	(404,078)	(616,796)
<b>Other comprehensive income after income tax</b>		
Increase by 10%	270,030	219,464
Decrease by 10%	(270,030)	(219,464)

## 56. Financial Risk Management – continued

### 56.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to lack of capital or funds. The rapid development of the Company's proprietary trading, asset management, margin financing business and etc all put forward higher requirements for liquidity risk management.

The Group manages and controls its funds in a centralised manner. The Company's liquidity risk management principles are comprehensiveness, prudence and foreseeability and its overall objective is to build a sound liquidity risk management system so that it can effectively recognise, measure, monitor and control liquidity risk and ensure that its liquidity needs can be met timely with a reasonable cost.

The Group annually prepares the fund budget, and formulates a financing plan based on the fund budget to manage the funding requirements and relevant costs. Through careful analysis of the Group's business scale, total liabilities, financing capacity and asset-liability structure, the Group will determine the scale of high-liquid asset reserves to improve liquidity and risk resistance.

The Group invests surplus cash in negotiable bank deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at 31 December 2023, the Group held cash and cash equivalents of approximately RMB7,321,005 thousand (31 December 2022: RMB3,723,982 thousand) that is expected to readily generate cash inflows for managing liquidity risk. In addition, the Group held financial assets at fair value through profit or loss amounted to RMB20,791,015 thousand which was presented as current assets as at 31 December 2023 (31 December 2022: RMB23,094,352 thousand), and could be realised within one year to provide a further source of cash if the need arose.

The tables below present the cash flows payable by the Group for non-derivative financial assets and liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 56. Financial Risk Management – continued

### 56.4 Liquidity risk – continued

As at 31 December 2023	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Overdue/Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-derivative financial assets</b>								
Other assets	-	1,307,538	230,965	730,337	931,964	306,444	5,969	3,513,217
Margin accounts receivable	-	1,544,309	3,220,516	5,548,951	-	-	-	10,313,776
Financial assets held								
under resale agreements	-	4,112,475	148,518	934,690	222,336	-	-	5,418,019
Financial assets at FVTPL	-	497,922	1,542,486	10,899,506	9,935,113	2,025,547	15,371,539	40,272,113
Debt instruments at FVTOCI	-	140,081	758,114	1,774,016	4,452,985	460,265	4,405	7,589,866
Clearing settlement funds	3,978,960	-	-	-	-	-	-	3,978,960
Refundable deposits	-	100,650	-	-	-	1,870	363,434	465,954
Equity instruments at FVTOCI	-	-	-	-	-	-	3,600,396	3,600,396
Cash held for brokerage clients	6,650,429	-	-	-	-	-	-	6,650,429
Cash and bank balances	2,758,323	127,014	-	285,469	-	-	-	3,170,806
	13,387,712	7,829,989	5,900,599	20,172,969	15,542,398	2,794,126	19,345,743	84,973,536
<b>Derivative financial assets</b>								
Net inflow	-	97,673	19,969	111,623	1,466,285	36,845	14,848	1,747,243
	13,387,712	7,927,662	5,920,568	20,284,592	17,008,683	2,830,971	19,360,591	86,720,779
<b>Non-derivative financial liabilities</b>								
Other liabilities	-	1,180,320	286,262	1,460,269	8,833,778	63,152	10,491	11,834,272
Bonds in issue	-	31,400	1,541,464	8,297,975	16,818,790	-	-	26,689,629
Financial assets sold under repurchase agreements	127,250	14,168,433	134,264	-	-	-	-	14,429,947
Financial liabilities at FVTPL	-	132,129	235,105	724,882	70,636	-	-	1,162,752
Lease liabilities	-	14,326	13,959	73,323	140,615	1,600	-	243,823
Accounts payable to brokerage clients	9,046,099	-	-	-	-	-	-	9,046,099
Due to other financial institutions	-	5,315,138	-	-	-	-	-	5,315,138
	9,173,349	20,841,746	2,211,054	10,556,449	25,863,819	64,752	10,491	68,721,660
<b>Derivative financial liabilities</b>								
Net outflow	-	34,720	122,879	110,362	161,577	-	18,105	447,643
	9,173,349	20,876,466	2,333,933	10,666,811	26,025,396	64,752	28,596	69,169,303

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 56. Financial Risk Management – continued

### 56.4 Liquidity risk – continued

As at 31 December 2022	On demand	Within 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Overdue/Undated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-derivative financial assets</b>								
Other assets	-	1,264,621	598,883	878,130	563,358	60,919	643	3,366,554
Margin accounts receivable	-	1,367,454	3,103,240	4,512,490	-	-	-	8,983,184
Financial assets held								
under resale agreements	-	1,498,128	495,853	1,444,249	-	-	-	3,438,230
Financial assets at FVTPL	-	151,120	1,569,538	9,195,493	9,458,080	748,337	12,782,698	33,905,266
Debt instruments at FVTOCI	-	19,612	23,494	482,846	8,236,933	715,747	5,343	9,483,975
Clearing settlement funds	2,994,739	-	-	-	-	-	-	2,994,739
Refundable deposits	-	153,768	-	-	-	2,286	436,172	592,226
Equity instruments at FVTOCI	-	-	-	-	-	-	2,926,193	2,926,193
Cash held for brokerage clients	7,964,935	-	-	-	-	-	-	7,964,935
Cash and bank balances	1,305,902	323,470	-	450,279	-	-	-	2,079,651
	12,265,576	4,778,173	5,791,008	16,963,487	18,258,371	1,527,289	16,151,049	75,734,953
<b>Derivative financial assets</b>								
Net inflow	-	25,558	85,497	383,107	455,228	2,051	28,438	979,879
	12,265,576	4,803,731	5,876,505	17,346,594	18,713,599	1,529,340	16,179,487	76,714,832
<b>Non-derivative financial liabilities</b>								
Short-term borrowings	-	-	-	-	-	-	-	-
Other liabilities	-	503,499	494,601	2,014,382	4,730,901	2,498	19,530	7,765,411
Bonds in issue	-	889,519	2,393,250	3,588,571	14,453,330	-	-	21,324,670
Financial assets sold under repurchase								
agreements	43,296	14,900,958	57,216	-	-	-	-	15,001,470
Financial liabilities at FVTPL	-	104,321	486,938	700,672	287,050	-	-	1,578,981
Lease liabilities	-	10,263	10,374	70,599	76,125	1,134	-	168,495
Accounts payable to brokerage clients	10,797,281	-	-	-	-	-	-	10,797,281
Due to other financial institutions	-	904,995	-	-	-	-	-	904,995
	10,840,577	17,313,555	3,442,379	6,374,224	19,547,406	3,632	19,530	57,541,303
<b>Derivative financial liabilities</b>								
Net outflow	-	44,579	176,519	242,784	15,853	9,441	11,900	501,076
	10,840,577	17,358,134	3,618,898	6,617,008	19,563,259	13,073	31,430	58,042,379

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 56. Financial Risk Management – continued

### 56.5 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- The ratio of core net capital divided by total assets shall be no less than 8%;
- The ratio of quality current assets divided by net cash used in next thirty days shall be no less than 100%;
- The ratio of stable funding available divided by stable funding required shall be no less than 100%.

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 57. Fair Value of Financial Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participations at the measurement date.

### 57.1 Financial instruments not measured at fair value

The Group's fair value of the bonds in issue as at 31 December 2023 was amounted to RMB25,441,269 thousand (31 December 2022: RMB19,729,169 thousand), and the carrying amount was RMB25,318,077 thousand (December 31, 2022: RMB20,194,294 thousand). The Group uses the discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity to evaluate the fair value of the bonds in issue.

Except above bonds in issue, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement approximate their fair values.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 57. Fair Value of Financial Assets and Liabilities – continued

### 57.2 Financial instruments measured at fair value

As at 31 December 2023	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Financial assets at FVTPL				
– Debt instruments	4,044,418	18,101,979	1,538,517	23,684,914
– Equity instruments	5,480,413	5,856,397	4,005,519	15,342,329
Debt instruments at FVTOCI	–	7,083,357	–	7,083,357
Equity instruments at fair value through Other comprehensive income	3,292,136	308,260	–	3,600,396
Derivative financial assets	14,847	127,741	1,604,655	1,747,243
<b>Total</b>	<b>12,831,814</b>	<b>31,477,734</b>	<b>7,148,691</b>	<b>51,458,239</b>
<b>Liabilities</b>				
Financial liabilities at FVTPL				
– Interests of other holders of consolidated structured entities	–	–	(75,203)	(75,203)
– Income certificates with variable interests	–	–	(1,087,549)	(1,087,549)
Derivative financial liabilities	(18,105)	(255,467)	(174,071)	(447,643)
<b>Total</b>	<b>(18,105)</b>	<b>(255,467)</b>	<b>(1,336,823)</b>	<b>(1,610,395)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 57. Fair Value of Financial Assets and Liabilities – continued

### 57.2 Financial instruments measured at fair value – continued

As at 31 December 2022	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– Debt instruments	3,603,202	15,851,459	258,477	19,713,138
– Equity instruments	2,565,916	4,333,155	5,823,634	12,722,705
Debt instruments at FVTOCI	–	8,363,285	–	8,363,285
Equity instruments at fair value through Other comprehensive income				
	2,926,193	–	–	2,926,193
Derivative financial assets	28,438	200,937	750,504	979,879
<b>Total</b>	<b>9,123,749</b>	<b>28,748,836</b>	<b>6,832,615</b>	<b>44,705,200</b>
Liabilities				
Financial liabilities at FVTPL				
– Interests of other holders of consolidated structured entities	–	–	(48,860)	(48,860)
– Income certificates with variable interests	–	–	(1,530,121)	(1,530,121)
Derivative financial liabilities	(10,095)	(376,419)	(114,562)	(501,076)
<b>Total</b>	<b>(10,095)</b>	<b>(376,419)</b>	<b>(1,693,543)</b>	<b>(2,080,057)</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 57. Fair Value of Financial Assets and Liabilities – continued

### 57.2 Financial instruments measured at fair value – continued

#### Financial instruments in Level 2

The following table presents the Group's financial assets and liabilities that are measured at fair value by the level 2 in the fair value hierarchy into which the fair value measurement is categorised at 31 December 2023 and 2022.

Financial assets/liabilities	As at 31 December 2023	As at 31 December 2022	Valuation technique(s) and key input(s)
<b>Financial assets at FVTPL</b>			
– Bonds	17,837,879	15,229,124	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bonds.
– Asset backed securities	264,100	523,466	Discounted future cash flows estimated based on expected recoverable amounts at rates that reflect credit risk of securities.
– Equity securities listed on National Equities Exchange and Quotation	5,953	9,667	Recent transaction prices.
– Investment funds	2,472,058	1,626,047	Net asset value as published by the fund managers.
– Collective asset management schemes	355,813	249,770	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Wealth management products	730,676	67,155	Discounted future cash flows estimated based on expected return that reflect the credit risk of the products.
– Private equity funds	1,398,107	1,491,918	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Trust schemes	893,790	888,597	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Commercial papers	–	98,870	Discounted future cash flows estimated based on contractual amounts and interest rates that reflect the credit risk of the commercial papers.
<b>Debt instruments at FVTOCI</b>			
– Bonds	7,083,357	8,363,285	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bond.
<b>Equity instruments at fair value through other comprehensive income</b>			
– Perpetual bonds	308,260	–	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bond.
<b>Derivative financial assets</b>			
– Credit default swap	629	–	Discounted cash flows with future cash flows that are estimated based on contractual terms, discounted at a rate that reflects the credit risk.
– Return swaps	127,112	200,937	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges and the fixed income agreed in the swap agreements.
<b>Derivative financial liabilities</b>			
– Interest rate swaps	(10,288)	(5,384)	Discounted cash flows with future cash flows that are estimated based on contractual terms, discounted at a rate that reflects the credit risk.
– Return swaps	(245,179)	(371,035)	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges and the fixed income agreed in the swap agreements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 57. Fair Value of Financial Assets and Liabilities – continued

### 57.2 Financial instruments measured at fair value – continued

#### Financial instruments in Level 3

The following table presents the Group's financial assets and liabilities that are measured at fair value by the level 3 in the fair value hierarchy into which the fair value measurement is categorised at 31 December 2023 and 2022.

Financial assets/liabilities	As at 31 December 2023	As at 31 December 2022	Valuation technique(s) and key input(s)
<b>Financial assets at FVTPL</b>			
– Bonds	383,570	258,477	Discounted cash flow method. The future cash flows are estimated based on the expected recoverable amount and discounted at the interest rate reflecting the credit risk of the bond.
– Asset backed securities	1,154,947	–	Discounted cash flow method. The future cash flows are estimated based on the expected recoverable amount and discounted at the interest rate reflecting the credit risk of the bond.
– Collective asset management schemes	83,081	–	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Private equity funds	3,109,689	5,319,864	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Unlisted equity investments	722,466	399,779	Calculated by using asset-based approach or market approach, with an adjustment or discount for lack of marketability. The key inputs are the value of the assets and liabilities or main financial indicators of target companies, indicators such as P/E and P/B multiples of comparable listed companies, and liquidity discount rate.
– Restricted stocks	90,283	103,991	The fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
<b>Derivative financial assets</b>			
– OTC options	1,604,522	722,277	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.
– Return swaps	133	28,227	Calculated based on the difference between the equity return of underlying restricted stocks of which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability and the fixed income agreed in the swap agreements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 57. Fair Value of Financial Assets and Liabilities – continued

### 57.2 Financial instruments measured at fair value – continued

#### Financial instruments in Level 3 – continued

Financial assets/liabilities	As at 31 December 2023	As at 31 December 2022	Valuation technique(s) and key input(s)
<b>Financial liabilities at FVTPL</b>			
– Interests of other holders of consolidated structured entities	(75,203)	(48,860)	Calculated based on the fair value of the underlying investments and other inputs management considers to be appropriate.
– Income certificates with variable interests	(1,087,549)	(1,530,121)	The fair value of the income certificate is the sum of the fair value of embedded option and the discounted future cash flows from the host contract of the debt instrument. The fair value of option is calculated using option pricing model with major inputs including the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time and the risk-free interest rate, etc. The fair value of host contract of debt instrument is calculated based on expected future cash flow discounted by the discount rate reflecting the Company's own credit risk.
<b>Derivative financial liabilities</b>			
– OTC options	(173,905)	(22,002)	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.
– Return swaps	(166)	(92,560)	Calculated based on the difference between the equity return of underlying restricted stocks of which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability, and the fixed income agreed in the swap agreements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 57. Fair Value of Financial Assets and Liabilities – continued

### 57.2 Financial instruments measured at fair value – continued

#### Financial instruments in Level 3 – continued

As at 31 December 2023 and 2022

Financial assets/liabilities	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
<b>Financial assets at FVTPL</b>			
- Bonds	Level 3	<ul style="list-style-type: none"> <li>Estimated future cash flows.</li> <li>Discount rates reflecting the credit risk of the bond.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the estimated future cash flows, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
- Asset backed securities	Level 3	<ul style="list-style-type: none"> <li>Estimated future cash flows.</li> <li>Discount rates reflecting the credit risk of the bond.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the estimated future cash flows, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
- Collective asset management schemes	Level 3	<ul style="list-style-type: none"> <li>The portfolio contains restricted stocks, whose fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.</li> </ul>	<ul style="list-style-type: none"> <li>The lower the discount rate, the higher the fair value.</li> </ul>
- Private equity funds	Level 3	<ul style="list-style-type: none"> <li>Discount rates that correspond to lack of marketability.</li> </ul>	<ul style="list-style-type: none"> <li>The lower the discount rate, the higher the fair value.</li> </ul>
- Unlisted equity investments	Level 3	<ul style="list-style-type: none"> <li>Valuation multiples e.g. P/E, P/B or P/S</li> </ul>	<ul style="list-style-type: none"> <li>The higher the valuation multiples, the higher the fair value.</li> </ul>
- Restricted stocks	Level 3	<ul style="list-style-type: none"> <li>Discount rates that correspond to lack of marketability.</li> <li>An adjustment or discount for lack of marketability.</li> </ul>	<ul style="list-style-type: none"> <li>The lower the discount rate, the higher the fair value.</li> </ul>
<b>Derivative financial instruments</b>			
- OTC options	Level 3	<ul style="list-style-type: none"> <li>The volatility of the underlying equity instrument for option</li> </ul>	<ul style="list-style-type: none"> <li>The higher the volatility of the underlying equity instrument, the higher the fair value</li> </ul>
- Return swaps	Level 3	<ul style="list-style-type: none"> <li>An adjustment or discount for lack of marketability.</li> </ul>	<ul style="list-style-type: none"> <li>The lower the discount rate, the higher the fair value.</li> </ul>
<b>Financial liabilities at FVTPL</b>			
- Interests of other holders of consolidated structured entities	Level 3	<ul style="list-style-type: none"> <li>Other adjustments based on the fair value of underlying assets</li> </ul>	<ul style="list-style-type: none"> <li>The higher the adjusted value, the lower the fair value.</li> </ul>
- Income certificates with variable interests	Level 3	<ul style="list-style-type: none"> <li>The volatility of the underlying equity instrument for option</li> </ul>	<ul style="list-style-type: none"> <li>The higher the volatility of the underlying equity instrument, the higher the fair value</li> </ul>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 57. Fair Value of Financial Assets and Liabilities – continued

### 57.2 Financial instruments measured at fair value – continued

#### Financial instruments in Level 3 – continued

The following table presents the changes in Level 3 instruments for the year ended 31 December 2023 and 2022.

	Financial assets at FVTPL – Collective asset Management scheme	Financial assets at FVTPL – Bonds	Financial assets at FVTPL – Asset backed securities	Financial assets at FVTPL – Private equity funds	Financial assets at FVTPL – Unlisted equity investments	Financial assets at FVTPL – Restricted stocks	Derivative financial assets – OTC options	Derivative financial assets – Interest rate & return swaps	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	-	258,477	-	5,319,864	399,779	103,991	722,277	28,227	6,832,615
Fair value change	(13,091)	(27,753)	29,769	(154,516)	(4,744)	(28,751)	882,245	(28,094)	655,065
Increase	96,172	242,177	1,125,178	444,904	327,431	36,475	-	-	2,272,337
Decrease	-	(89,331)	-	(2,500,563)	-	(21,432)	-	-	(2,611,326)
Balance at 31 December 2023	83,081	383,570	1,154,947	3,109,689	722,466	90,283	1,604,522	133	7,148,691

The Group used level 3 valuation techniques to value certain financial instruments whose marketability had been significantly changed, and fair value hierarchy of these financial instruments transferred from level 1 to level 3. As at 31 December 2023, there was no transfer between levels (2022: there was no transfer between levels).

	Financial liabilities at FVTPL – Interests of other holders of consolidated structured entities	Financial liabilities at FVTPL – Income certificates with variable interests	Derivative financial liabilities – OTC options	Derivative financial liabilities – Interest rate & return swaps	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	48,860	1,530,121	22,002	92,560	1,693,543
Losses recognised in profit or loss	(1,600)	42,358	151,903	(92,394)	100,267
Increase	27,943	815,567	-	-	843,510
Decrease	-	(1,300,497)	-	-	(1,300,497)
Balance at 31 December 2023	75,203	1,087,549	173,905	166	1,336,823

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 58. Offsetting Financial Assets and Financial Liabilities

Financial assets subject to offsetting, enforceable master netting agreements:

As at 31 December 2023					Net amount of Financial assets/ (liabilities) presented in the statements of financial position RMB'000
Gross amounts of recognised financial assets RMB'000	Gross amounts of recognised financial liabilities RMB'000	Net amounts of financial assets/ (liabilities) RMB'000	Cash paid as settlement RMB'000		
Derivative financial instruments	1,061	(100,813)	(99,752)	(99,752)	

As at 31 December 2022					Net amount of Financial assets/ (liabilities) presented in the statements of financial position RMB'000
Gross amounts of recognised financial assets RMB'000	Gross amounts of recognised financial liabilities RMB'000	Net amounts of financial assets/ (liabilities) RMB'000	Cash paid as settlement RMB'000		
Derivative financial instruments	7	(202,118)	(202,111)	(202,111)	

The Group has entered into master netting arrangements with counterparties for the future contracts and also with clearing house for un-settled trades. As at 31 December 2023, there is no outstanding future contracts held by the Group.

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collateral of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreements, margin accounts receivable and etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 59. Unconsolidated Structured Entities

Unconsolidated structured entities of the Group mainly include asset management schemes managed by the Group, asset management schemes, investment funds, wealth management products, private equity funds and etc. which the Group invests in but does not act as a manager.

Except for the structured entities that the Group has consolidated, in the opinion of the directors of the Company, the variable returns the Group exposed to the structured entities that the Group has interests in are not significant. The Group did not consider itself being the principal and consequently did not consolidate these structured entities.

The total assets of unconsolidated structured entities managed by the Group amounted to RMB268,680 million as at 31 December 2023 (31 December 2022: RMB103,448 million).

As at 31 December 2023 and 2022, the interests in unconsolidated structured entities held by the Group which are classified as financial assets at FVTPL included asset management schemes, wealth management products, investment funds, trust schemes, private equity fund, asset backed securities and limited partnership.

The related carrying amounts and the maximum exposure of interests in unconsolidated structured entities managed by the Group classified as financial assets at FVTPL were as follows:

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Asset management schemes	14,227	153,584
Investment funds	305,859	–
Limited partnerships	554,538	217,220
Total	874,624	370,804

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 59. Unconsolidated Structured Entities – continued

The related carrying amounts and the maximum exposure of interests in unconsolidated structured entities for which the Group did not act as the investment manager were as follows:

	2023/12/31	2022/12/31
	RMB'000	RMB'000
Investment funds	4,443,476	3,297,818
Wealth management products	730,676	67,155
Asset management schemes	424,667	96,186
Asset backed securities	1,419,047	832,010
Private equity funds	4,507,795	6,811,782
Trust schemes	893,790	888,597
	<b>12,419,451</b>	11,993,548

For the years ended 31 December 2023 and 2022, the income from these unconsolidated structured entities held and/or managed by the Group was as follows:

	2023	2022
	RMB'000	RMB'000
Net investment gains	153,816	256,867
Fee and commission income	443,126	194,015
	<b>596,942</b>	450,882



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 60. Acquisition of a Subsidiary

On 14 February 2023, the Company entered into the Equity Transfer Agreement Regarding ZhongRong Fund Management Company Limited (《關於中融基金管理有限公司的股權轉讓協議》) with Shanghai Rongsheng Investment Co., Ltd. (hereinafter referred to as “Shanghai Rongsheng”) to acquire 24.5% of the 49.0% equity interests in ZhongRong Fund held by Shanghai Rongsheng at a price of RMB722,408,544. On 16 February 2023, the Company acquired the 51% equity interests in ZhongRong Fund held by Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) (hereinafter referred to as “Zhongrong Trust”) through bidding. The bidding transaction price is RMB1,503,789,213. The Company signed the Property Rights Transaction Contract (《產權交易合同》) and the Supplementary Contract to the Property Rights Transaction Contract (《產權交易合同之補充合同》) with Zhongrong Trust. The equity transfer of the above transactions have been completed and the registration of industrial and commercial changes was completed in May 2023. In August 2023, ZhongRong Fund has been renamed as Guolian Fund, in which the Company holds 75.5% equity interest.

The Company acquired Guolian Fund in order to acquire a public offering fund licence to capture the strategic industry development opportunities, deepen the transformation of wealth management, and improve the ability of comprehensive financial services. The acquisition has been accounted for as acquisition of business using the acquisition method and Guolian Fund became a subsidiary of the Company subsequently. Guolian Fund is principally engaged in fund business.

### 60.1 Consideration transferred

	RMB'000
Cash	2,226,198

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 60. Acquisition of a Subsidiary – continued

### 60.2 Assets acquired and liabilities

	RMB'000
Cash and bank balances	452,890
Financial assets at fair value through profit or loss	599,043
Property and equipment	9,632
Intangible assets (Note)	491,532
Right-of-use assets	62,612
Deferred tax assets	4,617
Other assets	60,295
Financial liabilities at fair value through profit or loss	371
Accrued staff costs	49,384
Income tax payable	5,565
Lease liabilities	61,690
Other liabilities	7,599
Deferred tax liabilities	120,757
<b>Net assets</b>	<b>1,435,255</b>

Note: The intangible assets acquired through the acquisition mainly includes customer relationships amounted to RMB466,294 thousand.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 60. Acquisition of a Subsidiary – continued

### 60.3 Non-controlling interests

Non-controlling interests in Guolian Fund recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Guolian Fund and amounted to RMB351,636 thousand.

### 60.4 Goodwill arising on acquisition

	RMB'000
Consideration transferred	2,226,198
Plus: non-controlling interests (24.5% in Guolian Fund)	351,636
Less: recognised amounts of net assets acquired	1,435,255
Goodwill	1,142,579

Goodwill arose on the acquisition of Guolian Fund because the acquisition included the assembled workforce of Guolian Fund and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

## 60. Acquisition of a Subsidiary – continued

### 60.5 Net cash outflow on acquisition of a subsidiary

	RMB'000
Consideration paid in cash	2,226,198
Less: cash and cash equivalents acquired	13,437
	<hr/>
Goodwill	2,212,761
	<hr/>

### 60.6 Impact of acquisition on the results of the Group

From the acquisition date to the end of the reporting period, Guolian Fund achieved an revenue of RMB238,875 thousand and a net profit of RMB30,294 thousand. Considering the impact of identifiable assets and liabilities on the date of acquisition, the Group's financial results includes revenue generated by Guolian Fund amounted to RMB238,875 thousand and net profit amounted to RMB13,186 thousand.

## 61. Subsequent Events

### Offering of corporate bonds

On 22 January 2024, the Company issued RMB1,500,000 thousand of corporate bond with a term of 3 year and a fixed coupon rate of 2.80% paid annually.

On 23 February 2024, the Company issued RMB 1,500,000 thousand of subordinated bond with a term of 3 year and a fixed coupon rate of 2.84% paid annually.

### Profit distribution

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of RMB 1.42 (taxes inclusive) for every 10 shares, based on the Company's existing share capital of 2,831,773 thousand shares, in an aggregate amount of RMB 402,112 thousand, has been proposed by the Board resolution dated 26 March 2024 and is subject to approval by the shareholders in the forthcoming general meeting.

## 62. Reclassification of Comparative Figures

Certain comparative figures have been re-presented to conform to the current year presentation.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 63. Statement of Financial Position and Equity Movement of the Company

#### Statement of financial position of the Company

	2023/12/31	2022/12/31
	RMB'000	RMB'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property and equipment	91,686	80,075
Right-of-use assets	138,238	131,355
Intangible assets	71,588	65,608
Investments in subsidiaries	4,187,629	961,431
Investments in consolidated structured entities	3,561,000	2,561,000
Investment in associates	75,780	96,806
Other non-current assets	1,605,867	662,911
Financial assets held under resale agreements	200,336	–
Financial assets at fair value through profit or loss	498,801	164,938
Equity instruments at fair value through other comprehensive income	3,600,396	2,926,193
Derivative financial assets	1,503,130	457,279
Debt instruments at fair value through other comprehensive income	4,598,052	8,363,285
Refundable deposits	461,304	589,525
Construction in process	8,843	–
<b>Total non-current assets</b>	<b>20,602,650</b>	<b>17,060,406</b>
<b>Current assets</b>		
Other current assets	2,437,669	2,860,029
Margin accounts receivable	10,126,663	8,815,670
Financial assets held under resale agreements	5,095,174	3,263,815
Debt instruments at fair value through other comprehensive income	2,485,305	–
Financial assets at fair value through profit or loss	31,991,591	28,770,888
Derivative financial assets	244,113	522,600
Clearing settlement funds	3,973,850	2,988,869
Cash held for brokerage clients	6,648,492	7,964,905
Cash and bank balances	1,966,339	1,467,506
<b>Total current assets</b>	<b>64,969,196</b>	<b>56,654,282</b>
<b>Total assets</b>	<b>85,571,846</b>	<b>73,714,688</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 63. Statement of Financial Position and Equity Movement of the Company – continued

### Statement of financial position of the Company – continued

	2023/12/31	2022/12/31
	RMB'000	RMB'000
<b>Equity and liabilities</b>		
Share capital	2,831,773	2,831,773
Share premium	8,169,041	8,169,041
Reserves	3,081,059	2,554,651
Retained earnings	3,362,601	2,968,450
<b>Total equity</b>	<b>17,444,474</b>	16,523,915
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Bond in issue	16,025,000	13,580,130
Other non-current liabilities	8,754,770	4,728,712
Lease liabilities	72,327	66,497
Derivative financial liabilities	161,577	25,295
Financial liabilities at fair value through profit or loss	23,704	238,498
Deferred tax liabilities	449,663	154,715
<b>Total non-current liabilities</b>	<b>25,487,041</b>	18,793,847
<b>Current liabilities</b>		
Other current liabilities	3,301,952	3,334,511
Bonds in issue	9,272,753	6,594,233
Lease liabilities	66,796	68,330
Contract liabilities	6,019	11,011
Due to other financial institutions	5,314,014	900,216
Derivative financial liabilities	286,066	475,781
Accounts payable to brokerage clients	9,044,180	10,797,251
Financial assets sold under repurchase agreements	14,284,706	14,923,970
Financial liabilities at fair value through profit or loss	1,063,845	1,291,623
<b>Total current liabilities</b>	<b>42,640,331</b>	38,396,926
<b>Total liabilities</b>	<b>68,127,372</b>	57,190,773
<b>Total equity and liabilities</b>	<b>85,571,846</b>	73,714,688

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

### 63. Statement of Financial Position and Equity Movement of the Company – continued

#### Statement of changes in equity of the Company

	Share capital	Share premium	Surplus reserve	General reserve	Revaluation reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2023</b>	2,831,773	8,169,041	763,323	1,811,705	(20,377)	2,968,450	16,523,915
Profit for the year	-	-	-	-	-	587,568	587,568
Other comprehensive income for the year	-	-	-	-	332,991	-	332,991
<b>Total comprehensive income for the year</b>	-	-	-	-	332,991	587,568	920,559
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	11,907	(11,907)	-
Appropriation to surplus reserve	-	-	58,757	-	-	(58,757)	-
Appropriation to general reserve	-	-	-	122,753	-	(122,753)	-
<b>Balance at 31 December 2023</b>	2,831,773	8,169,041	822,080	1,934,458	324,521	3,362,601	17,444,474
<b>Balance at 1 January 2022</b>	2,831,773	8,169,041	676,925	1,631,946	210,920	2,548,226	16,068,831
Profit for the year	-	-	-	-	-	863,982	863,982
Other comprehensive expense for the year	-	-	-	-	(125,721)	-	(125,721)
<b>Total comprehensive income for the year</b>	-	-	-	-	(125,721)	863,982	738,261
Dividends recognised as distribution	-	-	-	-	-	(283,177)	(283,177)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(105,576)	105,576	-
Appropriation to surplus reserve	-	-	86,398	-	-	(86,398)	-
Appropriation to general reserve	-	-	-	179,759	-	(179,759)	-
<b>Balance at 31 December 2022</b>	2,831,773	8,169,041	763,323	1,811,705	(20,377)	2,968,450	16,523,915