



# 国联证券股份有限公司

GUOLIAN SECURITIES CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)  
Stock code: 1456

Annual Report

# 2020





# Table of Contents

Section 1	Definitions	2
Section 2	Company Profile	8
Section 3	Summary of Accounting and Business Data	10
Section 4	Report of the Board	15
Section 5	Other Significant Events	81
Section 6	Information of Changes of Equity (Capital) and Substantial Shareholders	94
Section 7	Information of Directors, Supervisors, Senior Management and Staff	97
Section 8	Corporate Governance Report	113
Section 9	Environmental, Social and Governance Report	144
	Independent Auditor's Report	163

# Section 1 Definitions

## General Terms

Company, the Company or Guolian Securities	Guolian Securities Co., Ltd.
The Group	The Company and its subsidiaries
CSRC	The China Securities Regulatory Commission
HK Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
Director(s) and Board or Board of Directors	The Director(s) and the board of Directors of the Company
Supervisor(s) and Supervisory Committee	The Supervisor(s) and Supervisory Committee of the Company
General Meeting(s)	the general meetings of the Company
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 57.87% of the shares of the Company, the Controlling Shareholder of the Company
Guolian Trust	Guolian Trust Co., Ltd.* (國聯信託股份有限公司), 91.87% of the shares of which is held by Guolian Group directly and indirectly and it holds 16.41% of the shares 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 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
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 3.06% of the shares of the Company

## Section 1 Definitions

Huaguang Environmental	Wuxi Huaguang Environmental & Energy Group Co., Ltd.* (無錫華光環保能源集團股份有限公司), 72.11% of the equity interest of which is held by Guolian Group, which holds 1.22% of the shares of the Company
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 11.22% of the shares of the Company
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 3.09% of the shares of the Company
Jiangsu Xinfang	Jiangsu Xinfang Industrial Co., Ltd.* (江蘇新紡實業股份有限公司), which holds 0.95% of the shares of the Company
Guolian Investment Management	Wuxi Guolian Investment Management Consultancy Co., Ltd.* (無錫市國聯投資管理諮詢有限公司), a directly and indirectly wholly-owned subsidiary of Guolian Group
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 Industrial Investment	Wuxi Guolian Industrial Investment Co., Ltd.* (無錫國聯產業投資有限公司), a directly and indirectly wholly-owned subsidiary of Guolian Group
Guolian Capital	Guolian Capital Co., Ltd.* (國聯通寶資本投資有限責任公司), a wholly-owned subsidiary of the Company
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
Guolian HK	Guolian Securities (Hong Kong) Limited, 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
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

Surrich International	Surrich International Company Limited (錫洲國際有限公司), a wholly-owned subsidiary of Guolian Group
Company Law	the Company Law of the PRC
Securities Law	the Securities Law of the PRC
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
CG Code	the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuer in Appendix 10 of the Listing Rules
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Articles of Association	the articles of association of the Company
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
Connected Persons	has the meaning ascribed to it under the Listing Rules
Associates	has the meaning ascribed to it under the Listing Rules
Substantial Shareholder(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
H Shares	the overseas listed foreign shares issued by the Company of RMB1.00 each, which are listed and traded on HK Stock Exchange (stock code: 01456)

## Section 1 Definitions

A Shares	domestic listed domestic shares, which are issued domestically and conducted listed trading in domestic stock exchanges, and are ordinary shares that are denominated, subscribed and traded in Renminbi
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
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
Reporting Period	the period from 1 January 2020 to 31 December 2020
SAT	State Administration of Taxation of the PRC
GDP	Gross Domestic Products
SAC	the Securities Association of China
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
SME	small and medium-sized enterprise(s)
Shanghai Stock Exchange	Shanghai Stock Exchange
PRC or China	the People's Republic of China

## Section 1 Definitions

### Technical Terms

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
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
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
Direct Investment Business	a business in which the subsidiary set up by the securities firm leverages on its own professional advantage to search for and find quality investment projects and make equity or debt investment with their own or raised funds, so as to obtain income from equity interest or debts
Shanghai-Hong Kong Stock Connect	a mechanism of inter-connection and inter-working between transactions of Shanghai and Hong Kong stock markets under which Shanghai Stock Exchange and HK Stock Exchange allow investors of the two sides to buy or sell the shares (within a specified limit) listed on the stock exchange of the other side via local securities companies (or brokers)
Collective Asset Management Scheme	an asset management contract entered into with multiple clients by a securities firm, pursuant to which the clients' assets are placed in the custody of commercial banks or in other institutions approved by the CSRC which are qualified to hold client transaction settlement funds for entrustment, and the securities firm provides asset management services to the clients through designated accounts

## Section 1 Definitions

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
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
Fund Investment Advisory	fund investment advisory business
FICC	fixed-income, currencies and commodities business
IPO	the abbreviation for "Initial Public Offering"

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

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



## Section 2 Company Profile

### 1. Company Name

Registered Chinese Name: 國聯證券股份有限公司

Registered English Name: Guolian Securities Co., Ltd.

Short Name in Chinese: 國聯證券

Short Name in English: Guolian Sec

### 2. Stock Code

HK Stock Exchange H Share Stock Code: 01456

Shanghai Stock Exchange A Shares Stock Code: 601456

### 3. Legal Representative

Mr. Yao Zhiyong (姚志勇)

### 4. Registered Capital and Net Capital

Registered Capital: RMB2,378,119,000

Net Capital: RMB9.978 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. Company Secretary

Ms. Lin Fanyu (林凡鈺)

### 10. Authorized Representatives

Mr. Yao Zhiyong (姚志勇), Mr. Ge Xiaobo (葛小波)

### 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

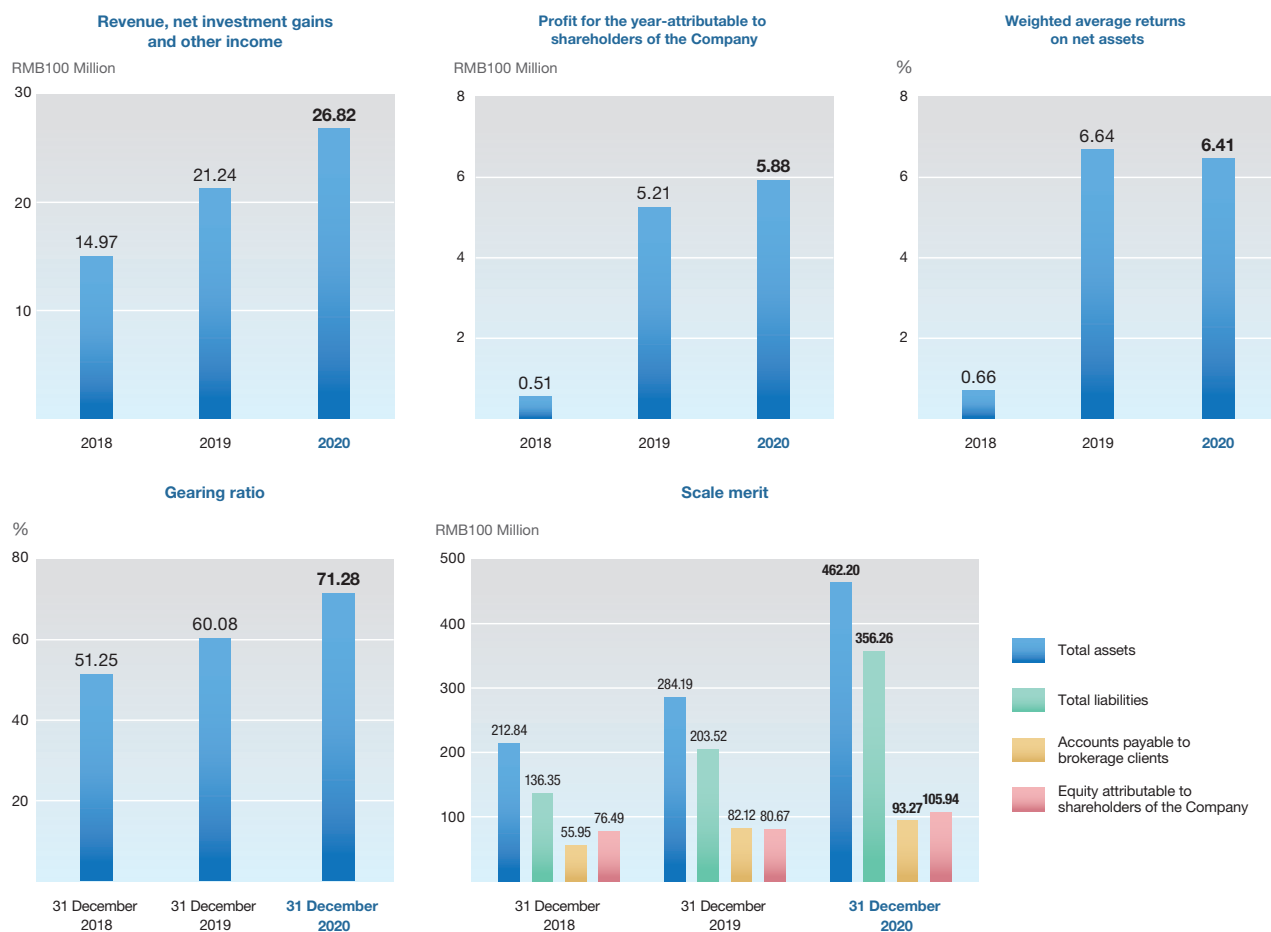
Items	2020	2019	Year-on-Year Growth	2018
<b>Operating results (RMB'000)</b>				
Revenue, net investment gains and other income	2,682,023	2,123,571	26.30%	1,496,815
Profit before income tax	787,922	686,485	14.78%	71,652
Profit for the year – attributable to shareholders of the Company	587,871	521,343	12.76%	50,588
Net cash (used in)/from operating activities	-5,370,839	1,240,788	–	919,720
<b>Earnings per share (RMB/share)</b>				
Basic earnings per share	0.28	0.27	3.70%	0.03
Diluted earnings per share	0.28	0.27	3.70%	0.03
<b>Profitability index</b>				
Weighted average returns on net assets (%) <sup>1</sup>	6.41%	6.64%	Decreased by 0.23 percentage point	0.66%

Items	31 December 2020	31 December 2019	Year-on-Year Growth	31 December 2018
<b>Scale merit (RMB'000)</b>				
Total assets	46,219,949	28,419,403	62.64%	21,283,776
Total liabilities	35,625,779	20,352,077	75.05%	13,634,592
Accounts payable to brokerage clients	9,327,198	8,212,333	13.58%	5,594,621
Equity attributable to shareholders of the Company	10,594,170	8,067,326	31.32%	7,649,184
<b>Total share capital ('000 shares)</b>	2,378,119	1,902,400	25.01%	1,902,400
<b>Net asset value per share attributable to shareholders of the Company (RMB/share)</b>				
	4.45	4.24	4.95%	4.02
<b>Gearing ratio (%)<sup>2</sup></b>	71.28%	60.08%	Increased by 11.20 percentage points	51.25%

<sup>1</sup> Prepared in accordance with the relevant requirements of the "Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 09) – Calculations and Disclosures for the Returns on Net Assets and Earnings Per Share" (as amended in 2010) issued by the CSRC

<sup>2</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	2020	2019	2018	2017	2016
Revenue, net investment gains and other income	2,682,023	2,123,571	1,496,815	1,792,803	2,335,667
Total expenses	1,905,089	1,457,452	1,434,713	1,178,884	1,562,467
Profit before income tax	787,922	686,485	71,652	516,678	859,871
Profit for the year – attributable to shareholders of the Company	587,871	521,343	50,588	361,492	610,068

## Section 3 Summary of Accounting and Business Data

### Assets (RMB'000)

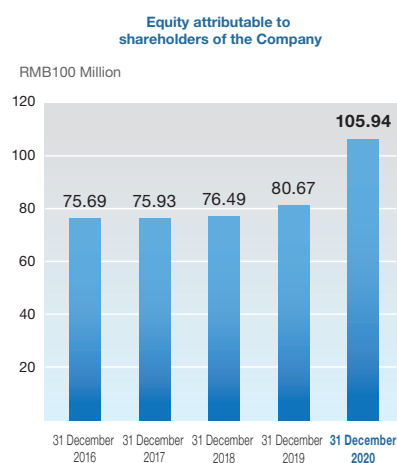
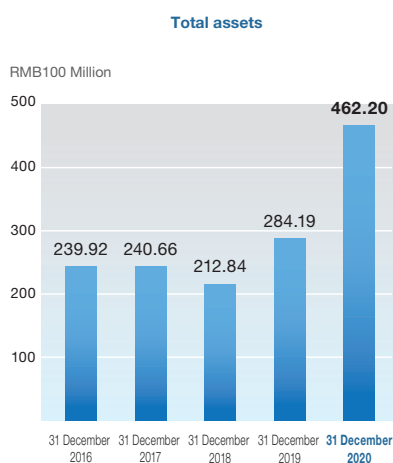
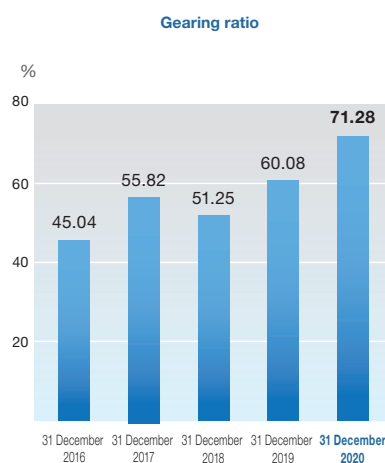
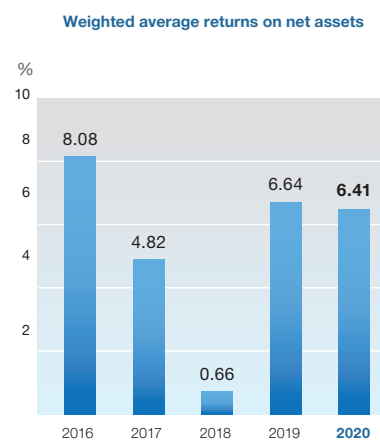
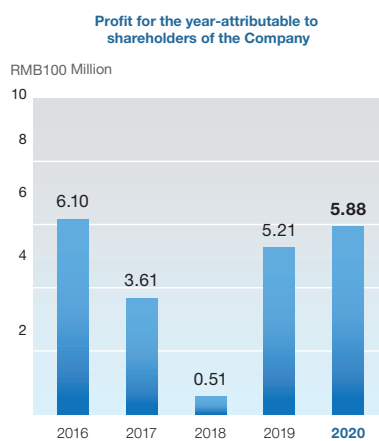
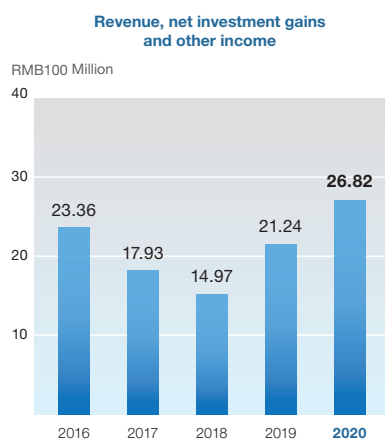
Items	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Total assets	46,219,949	28,419,403	21,283,776	24,065,998	23,992,481
Total liabilities	35,625,779	20,352,077	13,634,592	16,473,426	16,096,311
Accounts payable to brokerage clients	9,327,198	8,212,333	5,594,621	6,879,052	9,626,064
Equity attributable to shareholders of the Company	10,594,170	8,067,326	7,649,184	7,592,572	7,569,143
Total share capital ('000 shares)	2,378,119	1,902,400	1,902,400	1,902,400	1,902,400

### Key financial indexes

Items	2020	2019	2018	2017	2016
Basic earnings per share	0.28	0.27	0.03	0.19	0.32
Diluted earnings per share	0.28	0.27	0.03	0.19	0.32
Weighted average returns on net assets (%)	6.41%	6.64%	0.66%	4.82%	8.08%

	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Gearing ratio (%)	71.28%	60.08%	51.25%	55.82%	45.04%
Net asset value per share attributable to shareholders of the Company (RMB/share)	4.45	4.24	4.02	3.99	3.98

## 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 statement prepared by the Company in accordance with the IFRS and the Accounting Standards for Business Enterprises of the PRC show no difference in the net profit in 2020 and 2019 and the net assets as at 31 December 2020 and 31 December 2019.

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

As at 31 December 2020, the net capital of the Company was RMB9.978 billion, representing an increase of 33.74% as compared to the net capital of RMB7.461 billion as at the end of 2019. During the Reporting Period, the related risk control indexes of the Company including net capital had complied with the regulatory requirements.

Unit: in RMB'000

Items	31 December 2020	31 December 2019	Regulatory standard
Net capital	9,978,325	7,461,116	—
Net assets	10,451,951	7,942,573	—
Risk coverage ratio (%)	280.52	387.76	≥100%
Capital leverage ratio (%)	23.48	32.65	≥8%
Liquidity coverage ratio (%)	322.37	253.38	≥100%
Net steady fund rate (%)	165.38	158.17	≥100%
Net capital/net assets (%)	95.47	93.94	≥20%
Net capital/liabilities (%)	39.42	68.51	≥8%
Net assets/liabilities (%)	41.29	72.93	≥10%
Proprietary equity securities and their derivatives/net capital (%)	18.55	8.41	≤100%
Proprietary non-equity securities and their derivatives/net capital (%)	159.88	87.13	≤500%

## Section 4 Report of the Board

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

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

For the whole year of 2020, the Group achieved total revenue, net investment gains and other income amounting to RMB2.682 billion, representing a year-on-year increase of 26.30%. Net profit attributable to shareholders of the Company of RMB588 million was achieved, representing a year-on-year increase of 12.76%. As at 31 December 2020, total assets of the Group was RMB46.220 billion; and net assets attributable to shareholders of the Company was RMB10.594 billion and the weighted average returns on net assets was 6.41%.

The revenue generated from the brokerage and wealth management business was RMB942 million, representing a year-on-year increases of 43.25%; the revenue generated from the investment banking business was RMB365 million, representing a year-on-year increases of 15.35%; the revenue generated from the asset management and investment business was RMB104 million, representing a year-on-year increases of 27.72%; the revenue generated from the credit transactions business was RMB581 million, representing a year-on-year decrease of 3.11%; and the revenue generated from the proprietary trading business was RMB675 million, representing a year-on-year increase of 52.06%.

#### (II) Analysis of Principal Business

##### 1. Brokerage and Wealth Management Business

###### *Market Environment*

In 2020, the overall market trading sentiment of domestic securities market was vibrant as compared with the same period of last year, and stocks and funds trading volume on the Shanghai and Shenzhen markets was RMB220.45 trillion, up by 61.40% year-on-year. The SSE Index rose by 13.87%, while the SME Index and the GEM Index rose by 43.91% and 64.96% respectively. (Source: Wind, similar hereinafter)



## Section 4 Report of the Board

### *Actions and Achievements*

During the Reporting Period, the Company leveraged the opportunity of obtaining the pilot qualification approval for fund investment advisory business to innovate its business model, continued to enrich its product line, improved the ability of asset deployment, accelerated the transformation of wealth management; introduced industry-leading professional trading systems, and established and continuously improved the industry chain of private equity. It built up two service brands, “Guolian Financial Quotient” (國聯財商) and “Guolian Premium” (國聯尊享), continued to cultivate its investment and advisory teams with asset deployment and comprehensive financial service capabilities, and constantly improved the private banking service system. It optimized existing business outlets and accelerated the business layout in key regions; improved the capability of existing staff through training, assessment and incentives, as well as continued to introduce teams with market development and management abilities, and adopted multiple measures to facilitate the rapid development of the wealth management business of the Company.

In 2020, the net income from agency sales of securities business of the Company was RMB469 million, representing a year-on-year increase of 40.39%. During the Reporting Period, the transaction volume from the agency sales of securities of the Company (stocks and funds) was RMB2,128.062 billion with a market share of 0.483%, which was basically the same as that of 2019. As at the end of the Reporting Period, our total number of customers was 1,277,500, representing an increase of 9.62% as compared to the same period of last year.

Items	2020	2019	Year-on-year increase/ decrease
Trading volume of shares and funds (in RMB100 million)	21,280.62	13,318.87	59.78%
Number of securities brokerage clients (in '0,000)	127.75	116.54	9.62%

During the Reporting Period, sales volume of financial products of the Company amounted to RMB43.223 billion, representing a year-on-year increase of 33.87%. Among which, sales volume of self-developed asset management products amounted to RMB27.910 billion, representing a year-on-year increase of 5.62%. Sales volume of third-party products amounted to RMB12.006 billion, representing a year-on-year increase of 152.39%. Sales volume of third-party trust products amounted to RMB1,565 million, representing a year-on-year increase of 64.39%. Sales volume of other financial products amounted to RMB1,743 million, representing a year on-year increase of 1,031.81%.

## Section 4 Report of the Board

During the Reporting Period, the fund investment advisory business of the Company witnessed its rapid business development. As at the end of the Reporting Period, the Company has 573 fund investment advisory employees, with contracted asset scale of fund investment advisory amounted to RMB5.354 billion, and the number of contracted accounts was 53,183.

During the Reporting Period, commission income from listed options brokerage business of the Company achieved RMB8,114,700, representing a year-on-year increase of 5.58%; net commission income was RMB3,632,800, representing a year-on-year increase of 9.37%. As at the end of the Reporting Period, the number of clients of the Company's listed options brokerage business was 2,039, representing a year-on-year increase of 10.10%; during the Reporting Period, the accumulated number of contracts for listed options brokerage business was 3,669,900, representing a year-on-year increase of 5.95%.

### *Outlook for 2021*

In 2021, the Company will continue to upgrade its brand, establish and improve the standardized service system for fund investment advisory, develop its own customer and channel cooperation, and expand the scale of fund investment advisory. It will improve its product service system, build a one-stop financial service platform, enhance the efficiency of 1+N service model by strengthening internal linkage cooperation, and provide comprehensive solutions for customers. It will implement the project product manager system for the private equity business, optimize and improve the construction of the private equity industry chain, and strive to establish the reputation of the private equity services of Guolian. It will establish private banking centers in key regions and continue to cultivate top investment advisory teams with abilities of asset deployment and comprehensive financial services. It will promote the business layout of the Company in strategic significant regions such as Zhejiang, Guangdong-Hong Kong-Macao Greater Bay Area, try out the development model of extensional expansion and connotation enhancement, and continue to introduce high-end talents, enhance team building and improve comprehensive service standard.

## **2. Investment Banking Business**

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

## Section 4 Report of the Board

### (1) *Equity Financing Business*

#### *Market Environment*

In 2020, there were frequent highlights of equity market reforms. The GEM registration system was implemented, the refined segment of NEEQ was launched and the transfer system was established, and a more stringent delisting system was implemented, and each sector ushered in key institutional reforms. According to the statistics from Wind, in 2020, a total of 1,031 equity financing projects were completed in Shanghai and Shenzhen A Share market, a year-on-year increase of 61.85%, and the amount of equity financing was RMB1,667.654 billion, a year-on-year increase of 8.20%. Among which, 396 IPO projects were completed during the year, increased by 193 from last year, and the amount raised was RMB469.963 billion, a year-on-year increase of 85.57%, reaching a new high in terms of IPO issuance size in the past decade. There were 362 additional projects completed for the year, increased by 104 from last year, and the amount raised was RMB834.137 billion, a year-on-year increase of 21.11%.

#### *Actions and Achievements*

In 2020, the equity business of Hua Ying Securities seized the reform benefits and market opportunities to improve various business mechanisms under the registration system. It strengthened the cultivation of industry competitive advantages, and formed a business strategy of serving core customers comprehensively and focused on specific regions, specific industries and specific projects. It achieved the value service of the whole industry chain with all-round and comprehensive financial services, and built its investment banking with boutique characteristics.

During the Reporting Period, Hua Ying Securities completed 1 underwriting and sponsorship project, 2 IPO joint lead underwriting projects, 1 joint lead underwriting project for listing on refined segment of NEEQ, 4 refinancing projects and 1 IPO sub-underwriting project, with a total underwriting amount of RMB3.364 billion. At the same time, the equity business of the Company achieved steady development. Currently, there are 9 equity projects under review, including 2 IPO projects, 6 refinancing projects and 1 merger and acquisition and restructuring project; and 18 IPO counselling projects under application review.

## Section 4 Report of the Board

The details of the equity underwriting and sponsorship business for the year are shown in the following table:

Currency: RMB

Items	2020		2019	
	Underwriting amount (In 100 million)	Number of issuance (Unit)	Underwriting amount (In 100 million)	Number of issuance (Unit)
Initial public offering	12.91	4	0	0
Refinancing issuance	20.50	4	6.5	1
Sub-underwriting	0.23	1	0	0
Total	33.64	9	6.5	1

### *Outlook for 2021*

In 2021, Hua Ying Securities will complete the issuance and listing of the reviewed equity projects as soon as possible, especially the IPO business, and strive to build it as a brand business of investment banking. At the same time, Hua Ying Securities will strive to promote key equity projects and expand the scale of equity business. It will strengthen its undertaking and underwriting capabilities and enhance its comprehensive investment banking services, promote the implementation of the “investment + investment banking + industrial landing” model and actively serving the development of the real economy.

### **(2) Debt Financing Business**

#### *Market Environment*

In 2020, the growth rate of interest rate bonds issuance in the primary bond market far exceeded than those in previous years, and the growth rate of financial bonds, corporate bonds and ultra-short-term financing bonds was the fastest. With financing interest rates at a low level, the amount of bonds issued by securities companies almost doubled. According to Wind statistics, the total amount of issuance of bonds of various types in 2020 was RMB56.89 trillion, a year-on-year increase of 25.90%. The issuance volume of corporate bonds increased significantly, with the annual issuance volume of RMB3.37 trillion, a year-on-year increase of 32.47%. The issuance volume of enterprise bond increased slightly, with the annual issuance volume of RMB0.39 trillion, a year-on-year increase of 8.33%.

## Section 4 Report of the Board

### *Actions and Achievements*

In 2020, Hua Ying Securities closely followed the policy guidance, consolidated and enhanced the competitiveness of bond underwriting business, constantly innovated its business lines and product lines, obtained the qualifications of standardized bill business, explored the high-rated local government bond market, and responded to the call of active participation in the financial “epidemic war”, actively practicing social responsibility.

In 2020, the bond financing business of Hua Ying Securities developed steadily and had completed 48 bond lead underwriting projects and 19 government bond sub-underwriting projects, underwriting a total amount of RMB28.816 billion. In addition, Hua Ying Securities had 44 bond projects which had already obtained approvals and were pending issuance, with a pending issuance amount of RMB89.930 billion and 15 bond projects with applications under review.

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

Currency: RMB

Items	2020		2019	
	Amount of underwriting (In 100 million)	Number of issuances (Unit)	Amount of underwriting (In 100 million)	Number of issuances (Unit)
Enterprise bonds	19.50	5	24.00	2
Corporate bonds	172.51	32	136.16	19
Financial bonds	90.00	8	8.00	1
Standardized bills	0.52	1	0.00	0
Debt financing plan	0.93	2	1.26	1
Local government bonds	4.70	19	0.00	0
Total	288.16	67	169.42	23

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

## Section 4 Report of the Board

### *Outlook for 2021*

In 2021, Hua Ying Securities will continue to give full play to its overall business advantages and provide customers with all-round and comprehensive bond financing services, continue to consolidate and improve the strengths of bond underwriting business in Wuxi, continue to serve long-term customers, further coordinate with local financial institutions, strengthen the maintenance of investment institutions, expand bond sales network, and enhance bond sales capabilities.

### **(3) Financial Advisory Business**

#### *Market Environment*

In 2020, the major asset restructuring market of listed companies was fizzled out when compared with the robust IPO market. A total of 85 mergers and acquisitions and restructuring projects of listed companies were reviewed and registered by CSRC for the year, which was less than 70% of 2019.

#### *Actions and Achievements*

In 2020, Hua Ying Securities completed 42 financial advisory projects (excluding NEEQ business), including 4 financial advisory projects for listed companies, 20 equity financial advisory projects, and 18 bond financial advisory projects, with a total income of RMB34.1592 million, becoming a powerful new revenue supplement for the Company.

### *Outlook for 2021*

In 2021, Hua Ying Securities will continue to conduct in-depth industry research and analysis. While enhancing its ability in the mergers and acquisition and restructuring business, it will always maintain sensitivity to the mergers and acquisition transaction policy, make active deployment and actively seize business opportunities to further improve the comprehensive service capabilities of mergers and acquisitions.

## Section 4 Report of the Board

### (4) *NEEQ Business*

#### *Market Environment*

As at the end of 2020, the number of enterprises listed on NEEQ was 8,187, with a total market capitalization of RMB2,187.875 billion. The total trading volume on the NEEQ market during the year amounted to RMB129.464 billion, and total funds raised from the issuance of shares amounted to RMB33.755 billion. The market turnover and total issuance financing increased significantly as compared with 2019. As at the end of the Reporting Period, the NEEQ component index closed at 1,010.77, representing an increase of 8.83% as compared to that as of the end of 2019. The NEEQ market-making component index closed at 1,073.18, representing an increase of 17.32% as compared to that as of the end of 2019.

#### *Actions and Achievements*

In 2020, the NEEQ business of Hua Ying Securities continued to operate on the basis of expanding client coverage with value identification and actualization as the core, prepared for refined segment business, propelled listing business and completed daily supervision work. At the same time, it placed great emphasis on quality control and effective control of business risks. During the Reporting Period, Hua Ying Securities completed 1 joint underwriting of refined segment project, 1 recommended listing project, 6 issuance projects on NEEQ, 3 mergers and acquisitions and restructuring projects and on-going supervision for 107 enterprises.

#### *Outlook for 2021*

In 2021, Hua Ying Securities will continue to improve the business management system and market development system of NEEQ with value identification and actualization as the core, drive the development of other relevant business and provide quality NEEQ integrated services for customers to create good returns.

### 3. Asset Management and Investment Business

#### (1) *Asset Management Business*

##### *Market Environment*

With the implementation of various regulatory regulations and ancillary rules, the asset management business will further resume active management, deepen net-worth transformation, improve asset deployment and risk pricing capability, build a differentiated core competitive advantage, and effectively serve the investment and financing needs of the real economy. According to the data from SAC, as of 31 December 2020, the total principal of funds under entrusted management in the securities industry was RMB10.51 trillion, a year-on-year decrease of 14.48%, and net income from asset management business was RMB29.960 billion, a year-on-year increase of 8.88%.

##### *Actions and Achievements*

In 2020, for asset management business, the Company focused on strengthening its active management capabilities, and optimized professional investment and research system. The Company effectively provided professional asset deployment and underlying assets evaluation service according to its own licence advantages to determine its core strategy, continuously strengthened institutional customer development, effectively promoted channel agency sales and institutional customization, and significantly improved the operating performance and market influence, so as to further expand its market share.

As of the end of the Reporting Period, the entrusted funds of the asset management business of the Company amounted to RMB38.032 billion, of which assets under active management amounted to RMB35.015 billion, representing 92.07% of total asset management size, up by 2.52% as compared with the same period of 2019.



## Section 4 Report of the Board

The Company managed a total of 122 asset management schemes, among which, 45 are Collective Asset Management Scheme, with an asset size of RMB7.214 billion; 72 are Single Asset Management Scheme, with an asset size of RMB29.246 billion and 5 are Specialized Asset Management Scheme, with an asset size of RMB1.571 billion.

Category	Size of asset management (In RMB100 million)		Operating income (In RMB ten thousand by association standards)	
	At the end of	At the end of	2020	2019
	2020	2019		
Collective Asset Management Scheme	72.14	66.76	4,321.23	4,294.45
Single Asset Management Scheme	292.46	306.72	3,024.93	2,644.87
Specialized Asset Management Scheme	15.71	15.48	452.04	130.59
Total	380.32	388.96	7,798.20	7,069.92

### *Outlook for 2021*

In 2021, the Company will continue to strengthen its active investment management capability, promote the transformation of investment and research results, seize the strategic opportunities of collective transfers to public offerings, gather and integrate the channel of the Company and advantages of customer resources, and propel the steady growth of the entrusted asset management scale through those methods such as optimizing product structure, improving investment performance and establishing a sound sales system, and will continue to create value and gain for customers. At the same time, the Company will strengthen internal control and operation system construction to ensure stable business operation.

## Section 4 Report of the Board

### (2) *Private Equity Investment Business*

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

#### *Market Environment*

In 2020, the outbreak of COVID-19 exerted huge impact on the global economy, but it also brought new opportunities and challenges to private equity fund managers. Although it created excellent investment opportunities in the healthcare, new retail, online education, 5G and other sectors, private equity funds still faced many challenges such as difficulties in raising fund, prolonged cycle of newly established funds, and shrinking valuations of secondary market. The speed of industry adjustment was accelerating, and the polarization of institutions continued to intensify.

#### *Actions and Achievements*

In 2020, while continuing to propel the withdrawal of projects under existing funds, Guolian Capital made every effort to develop incremental equity investment business. As of the end of the Reporting Period, Guolian Capital registered four fund products with a cumulative size of RMB837 million. It completed one withdrawal project, with three withdrawal projects in progress.

#### *Outlook for 2021*

In 2021, Guolian Capital will actively promote business development and team building. It will give full play to the aggregate functionality of financial resources, enlarge and strengthen the scale of fund management, continue to explore and promote the development of financial advisory and other businesses, enhance the establishment of project-based funds; continue to actively promote existing projects pull out and fund liquidation and cancellation works, and accomplish the management service works for established funds. It will conduct regular follow-up visits to project companies, continue to pay attention to the performance and potential investment risks of the Company, with stringent access and exit and post-investment management, strengthen system support, and strengthen internal team building.

## Section 4 Report of the Board

### 4. Credit Transaction Business

#### (1) *Margin Financing and Securities Lending*

##### *Market Environment*

In 2020, the balance of margin financing and securities lending in the entire market showed a continuous upward trend. As of the end of the Reporting Period, the total balance of margin financing and securities lending in the entire market reached RMB1,619.008 billion, of which the balance of margin financing was RMB1,482.024 billion and the balance of securities lending was RMB136.984 billion, representing a year-on-year increase of 58.84% as compared with the balance of margin financing and securities lending of RMB1,019.285 billion at the end of December 2019.

##### *Actions and Achievements*

During the Reporting Period, the margin financing and securities lending of the Company has always been conducting under the guiding philosophy of “enlarging the scale of margin financing and securities lending business, jointly expanding the securities lending business, and increasing the proportion of institutional investors in margin financing and securities lending business”. Under the premise of controllable risks, with customer demand as the core, the professionalism and customer service capacity was improved by formulating business development toolkits and strengthening training and guidance. It applied for the approval of securities refinancing STAR Market and the GEM agreed declaration business qualification, actively expanded the construction of the securities lending source channel, such as public funds, and expanded the securities lending targets of the Company to meet the needs of investors for strategic transactions and new offline securities lending for hedging transactions. It established a credit rating system for special professional institutional investors, revised the tiered pricing standards for interest rates of margin financing and securities lending, further standardized the business process system of the margin financing and securities lending.

As at the end of the Reporting Period, the total number of credit accounts of clients was 22,941, representing a year-on-year increase of 6.17%. The total credit amount of margin financing and securities lending of clients was RMB57.200 billion, representing a year-on-year increase of 16.39%. The closing balance of margin financing and securities lending was RMB8.626 billion, representing a year-on-year increase of 87.03%. Interest income from margin financing and securities lending was RMB434 million, representing a year-on-year increase of 65.65%.

## Section 4 Report of the Board

### *Outlook for 2021*

In 2021, the Company will further optimize and improve its business standards and processes, explore and practice new business models based on changing business needs of customers with the market, and promote the implementation of more personalized need business from customers. It will actively build a systematic securities lending platform to enhance customer's experience and enhance the competitiveness of securities lending business of the Company. It will adhere to the philosophy of "service" and "guiding", and strengthen business thinking, professionalism and customer service capabilities through continuous training and experience exchange.

### **(2) Stock Pledged Repurchase**

#### *Market Environment*

Currently, the stock pledged repurchase business of Shanghai Stock Exchange and Shenzhen Stock Exchange are running smoothly. Regulatory authorities continue to promote the prevention of stock pledged risks. Stock risk are basically under control, and the overall business scale of the market maintains a gradual decline trend. With the carrying out of special action plans to improve the quality of listed companies, and measures implementation such as private enterprise bail out and multi-party cooperative supervision, etc., the stock pledged repurchase business has shown a trend of structural optimization, and the new businesses mainly concentrate on high-quality companies with better profitability. However, the formation of stock pledged repurchase business risks is affected by a variety of factors and the prevention and resolution of stock pledged repurchase risks will take a long period of time and is complicated. Credit risk management still needs to be further strengthened for self-funded stock pledged repurchase business and focus on prevention of individual stock operating risks.

#### *Actions and Achievements*

During the Reporting Period, the Company further clarified the development strategies of the stock pledged repurchase business according to market conditions, and prudently conducted its business under the premise of stringent control and solving business risks. The risk project scale of stock pledged business of the Company was orderly reduced, and the risks were further resolved. The Company obtained the pilot qualification approval for equity incentive financing-oriented option exercise business for companies listed on Shenzhen Stock Exchange, and initial results were achieved in the transformation of business scale.

## Section 4 Report of the Board

As of the end of the Reporting Period, the principal balance of stock pledged repurchase business of the Company was RMB3.083 billion, a significant reduction of 37.27% from RMB4.915 billion as at the end of 2019. Of which, the balance of investment (on-balance sheet) stock pledged repurchase business was RMB1.449 billion, with an average performance guarantee ratio of 327.68%. The balance of management (off-balance sheet) stock pledged repurchase business was RMB1.634 billion, with an average performance guarantee ratio of 221.64%. Moreover, as of the end of the Reporting Period, the financing amount of financing-oriented option exercise business of the Company was RMB156 million.

### *Outlook for 2021*

In 2021, the Company will continue to strengthen the credit risk assessment system and model construction of stock pledge projects, enhance the market analysis and project research of financing-oriented option exercise business, and on the basis of the traditional model of its original self-funded stock pledge business, customize comprehensive investment and financing programs, and expand multi-dimensional service business by comprehensively focusing on customer actual needs such as the substantial shareholders and senior management of listed companies.

## 5. Proprietary Trading Business

### *Market Environment*

In 2020, the COVID-19 epidemic had exerted an unprecedented impact on domestic and global economic and social development. Under the active and effective epidemic prevention and control measures in China, the Central Bank has implemented a prudent monetary policy to keep market liquidity reasonably abundant, and its fiscal policy has strengthened counter-cyclical regulation and effectively hedged against the impact of the epidemic. In the second half of the year, the exports grew strongly with significant economic recovery seen. The stock market experienced a decline followed by growth, which is a rapid decline of the index affected by the epidemic at the beginning of the year followed by steady growth in the last three quarters. The GEM index, the ChiNext Composite Index and the CSI 300 index hit new highs since the beginning of 2016, while there was a clear differentiation between individual stocks of large cap and small cap and between segments, with the consumption, new energy, national defence and military industry, motor vehicles and medicine segments leading the rise.

## Section 4 Report of the Board

In 2020, the COVID-19 epidemic has become the market talkative issue. China's economy has experienced the epidemic bombardment followed by rapid rejuvenation, and the bond market formed a V-shaped rebound. Towards the end of the year, represented by the default of Huachen Yongmei (華晨永煤) incident, the tide of default on credit of state-owned enterprises led to a rapid widening of credit spreads. The Central Bank quickly took measures to released MLF unconventionally and release the comforting signal. Under the dual effects of policy stability and financial easing, the bond market underwent a wave of market fluctuation in December, thus ending the ups and downs of 2020.

### *Actions and Achievements*

For equity proprietary trading business, the Company has all along been adhering to its principle of value investment and taking absolute return as the direction, adopted fundamental research as starting point, focused on under-valued industries and companies that had good growth potentially, and developed the business steadily while taking risks and returns into consideration. In 2020, the equity investment business effectively controlled the adverse effects of significant market volatility at the beginning of the year through risk management measures such as position control and futures hedging, and seized investment opportunities in the medicine, military and new energy industries after the second quarter, thereby achieved a good return target.

For fixed income business, the Company continued to explore a "seller" fixed income business model that matched the business characteristics of securities companies. Based on serving customers, the Company carried out investment trading under the premise of strictly controlling risk and achieved steady returns. The Company made full use of customer resources advantages to actively expand market-making and sub-underwriting business, with the primary distribution volume exceeding RMB10 billion, the trading volume in secondary market exceeding RMB700 billion, and the repurchase trading volume exceeding RMB1 trillion. It started to establish its market influence and won the first prize of the Best Progress Award among the outstanding member institutions in the inter-bank local currency market in 2020 selected by the National Interbank Funding Center. The Company vigorously carried out business innovation, and obtained new segmented business qualifications such as interest rate swap and the pledged quotation repurchase transaction business of Shenzhen Stock Exchange, thereby enriched the toolkit for serving customers.

## Section 4 Report of the Board

For equity derivatives business, the Company provided institutional customers with OTC derivatives services, including OTC option quotation transactions and income swaps that cover domestic targets, and carried out quantitative trading and quantitative product investment to solve customer's requirements of risk management, asset deployment and strategic investment, provided corporate customers with equity solutions, and provided institutional customers and retail customers with floating-income products, such as income certificates and structured products to meet customers' wealth management and major asset allocation needs. In 2020, the Company's OTC derivatives business developed rapidly, with the linked targets and income structure becoming increasingly rich, and trading volume grew rapidly.

### *Outlook for 2021*

For equity proprietary trading business, the Company will continue to improve the investment and research system construction, strengthen fundamental research, strengthen market research and decision, and steadily develop stock investment business. After two consecutive years of good performance in the domestic A Share market, the valuation standard of some industries has been in a relatively high level, and the risk-return profile has been significantly reduced. In 2021, for equity trading business, the Company will further select individual stocks based on reducing income expectations, flexibly adopt position adjustment and futures hedging means to strike a balance between risk and return, and continue to explore the development of a multi-strategy investment system.

For fixed income business, the Company will continue to deepen FICC quantitative investment and research capabilities, broaden FICC business scope, and strengthen the duration neutral strategy research. The Company will continue to enhance quantitative dynamic monitoring of positions, build a diversified investment trading strategy framework, and look for arbitrage opportunities to increase fixed income + segment investment scale. The Company will achieve rotation allocation of various major assets that have fixed income through slowing down overseas investment and focusing on bond deployment opportunities. In addition, the Company will continue to focus on the business mission of "focusing on customer needs" to improve product design and customer service comprehensive capacities, with a view to creating capital intermediary business for fixed income products with Guolian characteristics.

For equity derivatives business, the Company has completed its relevant works on team building, system construction, basic system development and other layouts in 2020. In the future, the Company will gradually expand its transaction services scale and enhance the Company's institutional transaction service capabilities and product innovative and creative capabilities.

### (III) Financial Statements Analysis

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

During the Reporting Period, benefitted from the domestic economic recovery, the stock index went up overall. The Company practiced the philosophy of “Second Entrepreneurship” and successfully completed the A-Shares listing. Capital strength has been greatly improved, business transformation has achieved initial results, and the overall business layout has become more diversified and stable, and the operating conditions have achieved year-on-year growth.

During the Reporting Period, the Group generated total revenue, net investment gains and other income of RMB2,682.02 million, representing a year-on-year increase of 26.30%. Net profit attributable to shareholders of the Company amounted to RMB587.87 million, representing a year-on-year increase of 12.76%. Earnings per share amounted to RMB0.28, representing a year-on-year increase of 3.70%. The weighted average return on net assets amounted to 6.41%, representing a year-on-year decrease of 0.23 percentage point.

#### 2. Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB46,219.95 million, representing an increase of 62.64% as compared to RMB28,419.40 million as at the end of 2019. Total liabilities amounted to RMB35,625.78 million, representing an increase of 75.05% as compared to RMB20,352.08 million as at the end of 2019. Equity attributable to shareholders of the Company amounted to RMB10,594.17 million, representing an increase of 31.32% as compared to RMB8,067.33 million as at the end of 2019.

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 RMB13,478.63 million, representing 29.16% 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 RMB12,540.59 million, representing 27.13% of the total assets, and primarily included margin accounts receivable and financial assets held under resale agreements; financial investment assets, which amounted to RMB18,815.67 million, representing 40.71% of the total assets, and primarily included interests in associates and investment in financial assets; and operating assets including other property and equipment, which amounted to RMB1,385.06 million, representing 3.00% of the total assets, and primarily included property and equipment, and intangible assets. During the Reporting Period, the Group made corresponding impairment provision for margin accounts receivable, financial assets held under resale agreements, account receivables and other receivables, debt instruments at fair value through other comprehensive income. There was no evidence showing that other assets may be subject to significant impairment.



## Section 4 Report of the Board

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 RMB26,298.58 million, representing a year-on-year increase of RMB14,158.84 million or 116.63%. The gearing ratio of the Group was 71.28%, representing an increase of 11.20 percentage points from 60.08% as at the end of 2019 (Note: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 3.48 times, representing an increase of 39.20% from 2.50 times as at the end of 2019 (Note: Operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

### 3. Financing Channels and Financing Capability

The Company enhanced its capital strength in equity financing through direct and indirect financing methods, and continued to supplement its capital through various debt financing measures, maintained corporate liquidity and strengthened its capital strength, and supplemented net capital. The Asset and Liability Committee of the Company is responsible for the overall planning of the Company's asset and liability deployment, and it equipped with a sound management system and corresponding business processes for management, and applied corresponding financial instruments to avoid risks.

The Company obtained funds from market investors through stock exchange, national interbank lending market, inter-institutions private placement products quotation and service system in accordance with the relevant policies and regulations of the competent authorities. The main debt financing instruments included public issuance of corporate bonds and short-term corporate debentures, non-public issuance of corporate debentures and subordinated bonds, issuance of short-term financing bonds for securities companies, income certificates and refinancing, interbank borrowings, bond repurchase, transfer of income rights, etc. The balance of debt financing as of the end of 2020 that were not yet due amounted to RMB13.860 billion, representing an increase of RMB7.360 billion as compared with that of RMB6.5 billion as of the end of 2019. In 2020, the Company recorded an accumulated increase in funding of RMB18.024 billion through applying various debt instrument financing, and the accumulated financing principal amounts of debts due for repayment were RMB10.664 billion.

The Company strengthened its credit management, established multi-directional cooperation and service support with various financial institutions, and properly arranged financing channels in various markets through many approaches to ensure the Company's capital needs were met and liquidity security was ensured.

### 4. Liquidity Management Information of the Company

The Company 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. 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. As requested by CSRC, the Company has established sound liquidity risk management system and contingency measures. Through strengthening its close attention to liquidity risks, the Company has kept abreast of the demand for and application of funds in a timely manner. It strengthened the daily monitoring of its corporate liquidity information, improved daily control mechanism of liquidity risk, regularly submitted liquidity monitoring statement and analysis of changes, and 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. During the Reporting Period, the Company enhanced its capital strengths through equity financing of A Shares IPO, and used various debt financing instruments to supplement its working and liquidity capitals, thereby was able to meet the capital needs of various business developments on the premise that the overall liquidity risks have been well managed.

### 5. Cash Flows

As the Group's cash outflow generated from the operating activities and investing activities in the current year was less than the cash inflow from financing activities, the net increase in cash and cash equivalents was RMB2,433.42 million.

Net cash flows from operating activities in 2020 was RMB-5,370.84 million, representing a year-on-year decrease of RMB6,611.63 million as compared with RMB1,240.79 million for the corresponding period in 2019. Net cash flows from investing activities in 2020 was RMB-1,332.65 million, representing a year-on-year decrease of RMB1,388.20 million as compared with RMB55.55 million for the corresponding period in 2019. Net cash flows from financing activities in 2020 was RMB9,136.91 million, representing a year-on-year increase of RMB9,746.20 million as compared with RMB-609.29 million for the corresponding period in 2019. Net increase in cash and cash equivalents in 2020 was RMB2,433.42 million, representing a year-on-year increase of RMB1,746.37 million as compared with RMB687.05 million for the corresponding period of 2019.

## 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 RMB787.92 million, representing a year-on-year increase of 14.78%. The key financial results are as follows:

Unit: in RMB million

Items	2020	2019	Increase/ decrease	Growth rate year-on-year
<b>Revenue</b>				
Commission and fee income	1,107.42	832.90	274.52	32.96%
Interest income under effective interest method	891.16	863.81	27.35	3.17%
Net investment gains/(losses)	678.86	421.13	257.73	61.20%
Other income	4.58	5.73	-1.15	-20.07%
<b>Total revenue, net investment gains and other income</b>	<b>2,682.02</b>	<b>2,123.57</b>	<b>558.45</b>	<b>26.30%</b>
Total expenses	1,905.09	1,457.45	447.64	30.71%
Profit before income tax	787.92	686.49	101.43	14.78%
Income tax expense	200.05	165.14	34.91	21.14%
Profit for the year	587.87	521.34	66.53	12.76%
Net profit attributable to shareholders of the Company	587.87	521.34	66.53	12.76%

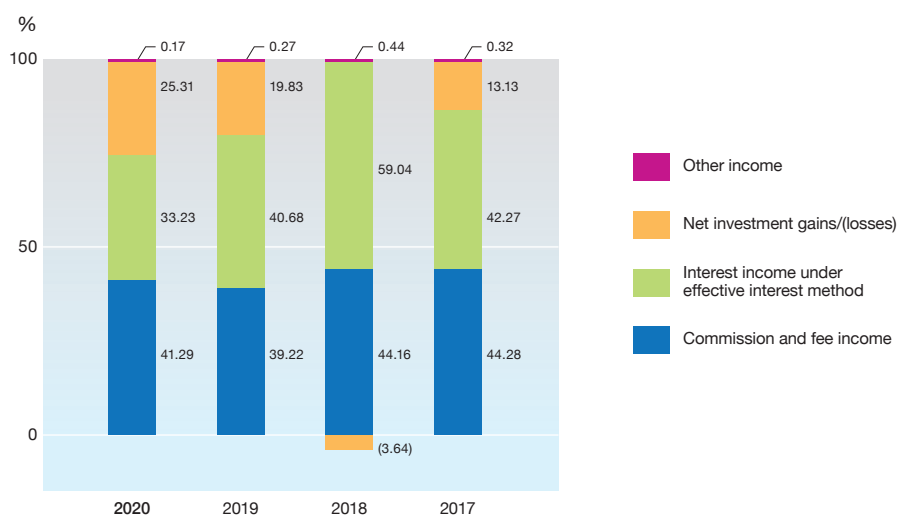
## Section 4 Report of the Board

### Revenue structure

During the Reporting Period, total revenue, net investment gains and other income of the Group amounted to RMB2,682.02 million, representing a year-on-year increase of 26.30%, among which, 41.29% was generated from commission and fee income, representing a year-on-year increase of 2.07 percentage points; 25.31% was generated from net investment gains/(losses), representing a year-on-year increase of 5.48 percentage points; 33.23% was generated from interest income under effective interest method, representing a year-on-year decrease of 7.45 percentage points. The revenue structure of the Group in the past four years was as follows:

Percentage	2020	2019	2018	2017
Commission and fee income	41.29%	39.22%	44.16%	44.28%
Interest income under effective interest method	33.23%	40.68%	59.04%	42.27%
Net investment gains/(losses)	25.31%	19.83%	-3.64%	13.13%
Other income	0.17%	0.27%	0.44%	0.32%
<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:



## Section 4 Report of the Board

From the changes in revenue structure, the Company adhered to the prudent value investment strategy, closely followed market changes, enriched trading varieties and optimized investment portfolios, and hence the proportion of net investment gains increased steadily. The Company speeded up the pace of transformation and made innovation on business model by grasping the opportunities of trading in the securities market and leveraging on the opportunity of obtaining the pilot qualification for fund investment advisory business, and as a result, the proportion of commission and fee income increased slightly. Under the premise of strictly controlling risks, the Company vigorously enlarged the scale of margin financing and securities lending business while reducing the scale of stock pledge business, and its interest income under effective interest method decreased.

### *Commission and fee income*

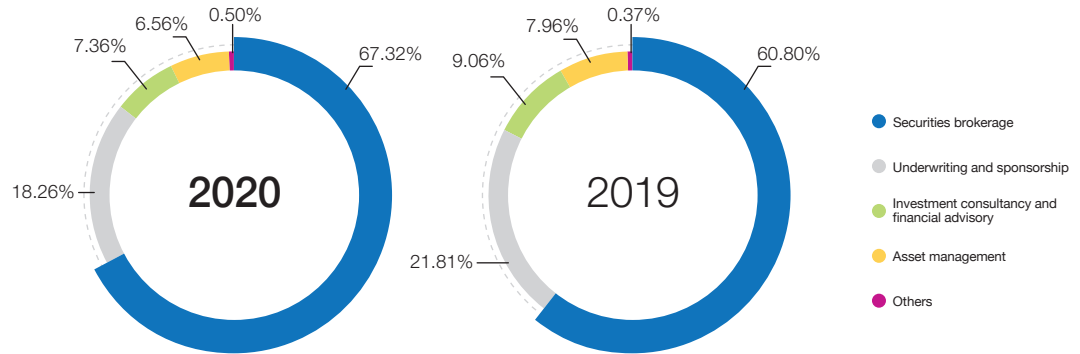
During the Reporting Period, the Group's commission and fee income consists of the followings:

Unit: in RMB million

Items	2020	2019	Increase/ decrease	Growth rate year-on-year
Commission and fee income				
Securities brokerage	745.46	506.44	239.02	47.20%
Underwriting and sponsorship	202.24	181.64	20.60	11.34%
Investment consultancy and financial advisory	81.51	75.48	6.03	7.99%
Asset management	72.68	66.26	6.42	9.69%
Others	5.53	3.08	2.45	79.55%
<b>Total commission and fee income</b>	<b>1,107.42</b>	<b>832.90</b>	<b>274.52</b>	<b>32.96%</b>
Commission and fee expenses	231.93	159.15	72.78	45.73%
<b>Net commission and fee income</b>	<b>875.49</b>	<b>673.75</b>	<b>201.74</b>	<b>29.94%</b>

## 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 RMB1,107.42 million, representing a year-on-year increase of 32.96%. Income from securities brokerage as well as underwriting and sponsorship increased significantly.

In 2020, the securities market became more active, as a result, the transaction volume of stocks and funds increased by 61% year-on-year, and the commission and fee income generated from securities brokerage business increased by RMB239.02 million, representing a year-on-year increase of 47.20%;

The investment banking business seized and took market opportunities, and as a result, the scale of stock and bonds underwriting increased substantially, underwriting and sponsorship income from investment banking business increased by RMB20.60 million, representing a year-on-year increase of 11.34%. Income from investment consultancy and financial advisory increased by RMB6.03 million, representing a year-on-year increase of 7.99%;

The Company strengthened its active management capabilities for asset management business and focused on the overall optimization of product lines, and the revenue from asset management has increased 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 RMB305.63 million, representing a year-on-year decrease of 38.55%. The Group's interest income under effective interest method for 2020 consists of the following:

Unit: in RMB million

Items	2020	2019	Increase/ decrease	Growth rate year-on-year
Interest income under effective interest method				
Interest income from bank deposits	275.40	207.90	67.50	32.47%
Interest income from financial assets held under resale agreements	168.99	397.39	-228.40	-57.48%
Interest income from margin financing	428.69	258.52	170.17	65.82%
Interest income from debt instruments at fair value through other comprehensive income	18.08	0.00	18.08	-
<b>Total interest income under effective interest method</b>	<b>891.16</b>	<b>863.81</b>	<b>27.35</b>	<b>3.17%</b>
Interest expenses	585.53	366.43	219.10	59.79%
Net interest income	305.63	497.38	-191.75	-38.55%

Interest income from bank deposits increased by RMB67.50 million, representing a year-on-year increase of 32.47%, which was primarily attributable to the increase in the size of client margin deposit as benefitted from the more active securities market;

The Company seized market opportunities and continuously improved its professionalism and customer service capabilities under the premise of controlling risks and with customer needs as the core. Interest income from margin financing increased by RMB170.17 million, representing a year-on-year increase of 65.82%;

The Company carried out businesses prudently under the premise of strictly controlling and resolving business risks, and as a result, the interest income from financial assets held under resale agreements decreased by RMB228.40 million, representing a year-on-year decrease of 57.48%;

The Company fully supported business transformation and steadily increased financial leverage, and as a result, the interest expenses increased by RMB219.10 million, representing a year-on-year increase of 59.79%.

## Section 4 Report of the Board

### *Net investment gains/(losses)*

During the Reporting Period, the Company adhered to principles of value investment and effective risk control. The net investment gains of the Group amounted to RMB678.86 million, representing a year-on-year increase of 61.20%. The Group's net investment gains/(losses) for 2020 consist of the following:

Unit: in RMB million

Items	2020	2019	Increase/ decrease	Growth rate year-on-year
Realised gains from disposal of financial assets at fair value through profit or loss	183.61	120.86	62.75	51.92%
Realised losses from disposal of financial liabilities at fair value through profit or loss	-6.04	0.00	-6.04	-
Realised losses from disposal of financial assets at fair value through other comprehensive income	-3.05	0.00	-3.05	-
Distribution to interest holders of the consolidated SEs	-44.37	-53.45	9.08	-
Dividends and interest income from financial assets at fair value through profit or loss	420.03	116.85	303.18	259.46%
Net realised gains from derivative financial instruments	41.41	24.37	17.04	69.92%
Unrealised fair value change of financial instruments at fair value through profit or loss				
- Financial assets at fair value through profit or loss	126.05	203.44	-77.39	-38.04%
- Derivative financial instruments	-43.22	4.33	-47.55	-
- Financial liabilities at fair value through profit or loss	4.44	4.73	-0.29	-6.13%
<b>Total</b>	<b>678.86</b>	<b>421.13</b>	<b>257.73</b>	<b>61.20%</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 RMB1,087.63 million, representing a year-on-year increase of 16.72%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Items	2020	2019	Increase/ decrease	Growth rate year-on-year
Operating expenses				
Staff costs	700.44	645.35	55.09	8.54%
Depreciation and amortization	159.79	140.47	19.32	13.75%
Other operating expenses	215.18	158.48	56.70	35.78%
Impairment losses under expected credit loss model, net of reversal	12.21	-12.44	24.65	-
<b>Total</b>	<b>1,087.63</b>	<b>931.86</b>	<b>155.77</b>	<b>16.72%</b>

Due to rejuvenating market conditions and active trading, and the Company strengthened its risk management while orderly propelled the disposal of existing default projects, the impairment losses under expected credit loss model, net of reversal of the Company was RMB12.21 million, details of which are as follows:

Unit: in RMB million

Items	2020	2019	Increase/ decrease	Growth rate year-on-year
Impairment losses under expected credit loss model, net of reversal				
Margin accounts receivable	1.57	-3.88	5.45	-
Financial assets held under resale agreements	3.68	-9.84	13.52	-
Accounts receivables and other receivables	1.83	1.28	0.55	42.97%
Debt instruments at fair value through other comprehensive income	5.13	0.00	5.13	-
<b>Total</b>	<b>12.21</b>	<b>-12.44</b>	<b>24.65</b>	<b>-</b>

## Section 4 Report of the Board

### (2) *Assets Information*

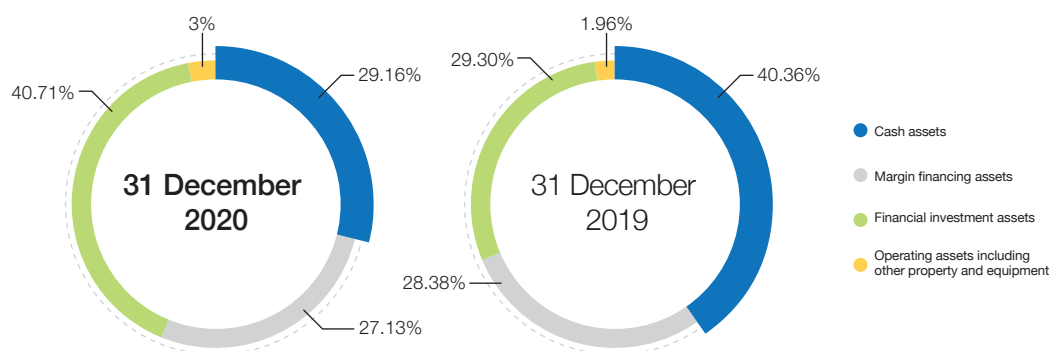
As at the end of the Reporting Period, total assets of the Group amounted to RMB46,219.95 million, representing a year-on-year increase of 62.64%, among which, cash assets amounted to RMB13,478.63 million, representing a year-on-year increase of 17.51%, margin financing assets amounted to RMB12,540.59 million, representing a year-on-year increase of 55.49%, financial investment assets amounted to RMB18,815.67 million, representing a year-on-year increase of 125.96%, and operating assets including other property and equipment amounted to RMB1,385.06 million, representing a year-on-year increase of 148.76%. Changes in the Group's assets items are as follows:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ decrease	Growth rate year-on-year
<b>Total assets</b>				
Cash assets	13,478.63	11,470.14	2,008.49	17.51%
Margin financing assets	12,540.59	8,065.32	4,475.27	55.49%
Financial investment assets	18,815.67	8,327.15	10,488.52	125.96%
Operating assets including other property and equipment	1,385.06	556.79	828.27	148.76%
<b>Total</b>	<b>46,219.95</b>	<b>28,419.40</b>	<b>17,800.55</b>	<b>62.64%</b>

## Section 4 Report of the Board

Total assets of the Group consist of:



### Cash assets

As at the end of the Reporting Period, cash assets of the Group increased by RMB2,008.49 million year-on-year or 17.51%, representing 29.16% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/decrease	Growth rate year-on-year
<b>Cash assets</b>				
Cash and bank balances (including cash held for brokerage clients)	10,730.38	9,304.97	1,425.41	15.32%
Clearing settlement funds	2,511.61	2,100.54	411.07	19.57%
Refundable deposits	236.64	64.63	172.01	266.15%
<b>Total</b>	<b>13,478.63</b>	<b>11,470.14</b>	<b>2,008.49</b>	<b>17.51%</b>

Due to the overall increase in stock index in 2020, the increase of 61% year on year in market stock and fund trading volume, the trading was active and the size of client deposits increased year on year.

## Section 4 Report of the Board

### Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group increased by RMB4,475.27 million year on year or 55.49%, representing 27.13% of the Group's total assets. The Group's margin financing assets consist of the following:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ decrease	Growth rate year-on-year
<b>Margin financing assets</b>				
Margin accounts receivable	8,413.07	4,638.40	3,774.67	81.38%
Financial assets held under resale agreements	4,127.52	3,426.92	700.60	20.44%
<b>Total</b>	<b>12,540.59</b>	<b>8,065.32</b>	<b>4,475.27</b>	<b>55.49%</b>

The Company seized market opportunities and continuously improved its professionalism and customer service capabilities under the premise of controlling risks and with customer needs as the core. The scale of financing business increased substantially and margin accounts receivable increased by RMB3,774.67 million or 81.38% as compared with the same period of last year.

The Company carried out businesses prudently under the premise of strictly controlling risks, and as a result, financial assets held under resale agreements increased by RMB700.60 million or 20.44% as compared with the same period of last year.

### Financial investment assets

As at the end of the Reporting Period, financial investment assets of the Group increased by RMB10,488.52 million year-on-year or 125.96%, representing 40.71% of the Group's total assets. The following table sets forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ decrease	Growth rate year-on-year
<b>Financial investment assets</b>				
Interests in associates	104.90	104.20	0.70	0.67%
Financial assets at fair value through profit or loss	16,955.09	8,222.95	8,732.14	106.19%
Debt instruments at fair value through other comprehensive income	1,678.04	0.00	1,678.04	–
Derivative financial assets	77.64	0.00	77.64	–
<b>Total</b>	<b>18,815.67</b>	<b>8,327.15</b>	<b>10,488.52</b>	<b>125.96%</b>

## Section 4 Report of the Board

As at the end of the Reporting Period, financial assets at fair value through profit or loss of the Group increased by RMB8,732.14 million year-on-year or 106.19%, representing 36.68% of the Group's total assets. The following table sets forth the composition of the Group's financial assets at fair value through profit or loss:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ decrease	Growth rate year-on-year
<b>Financial assets at fair value through profit or loss</b>				
Debt securities	10,963.62	6,736.42	4,227.20	62.75%
Equity securities	896.99	560.42	336.57	60.06%
Investment funds	1,600.09	321.74	1,278.35	397.32%
Asset backed securities	388.82	220.08	168.74	76.67%
Collective Asset Management Schemes	426.84	218.54	208.30	95.31%
Trust schemes	162.46	0.00	162.46	–
Private equity funds	2,080.35	0.00	2,080.35	–
Investments in unlisted companies	140.68	99.74	40.94	41.05%
Wealth management products	295.24	66.01	229.23	347.27%
<b>Total</b>	<b>16,955.09</b>	<b>8,222.95</b>	<b>8,732.14</b>	<b>106.19%</b>

### *Operating assets including other property and equipment*

As at the end of the Reporting Period, operating assets including other property and equipment of the Group amounted to RMB1,385.06 million, representing a year-on-year increase of RMB828.27 million or 148.76%, which accounted for 3.00% of the Group's total assets. The following table sets forth the composition of the Group's operating assets including other property and equipment as at the date indicated:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ decrease	Growth rate year-on-year
<b>Operating assets including other property and equipment</b>				
Property and equipment	88.75	88.14	0.61	0.69%
Intangible assets	59.15	50.30	8.85	17.59%
Right-of-use assets	177.56	171.93	5.63	3.27%
Deferred income tax assets	36.96	38.15	-1.19	-3.12%
Other current assets and other non-current assets	1,022.64	208.27	814.37	391.02%
<b>Total</b>	<b>1,385.06</b>	<b>556.79</b>	<b>828.27</b>	<b>148.76%</b>

Other current assets and other non-current assets increased by RMB814.37 million or 391.02% year on year, mainly attributable to the development of OTC derivatives business, the margin deposits of derivative contracts increased.

## Section 4 Report of the Board

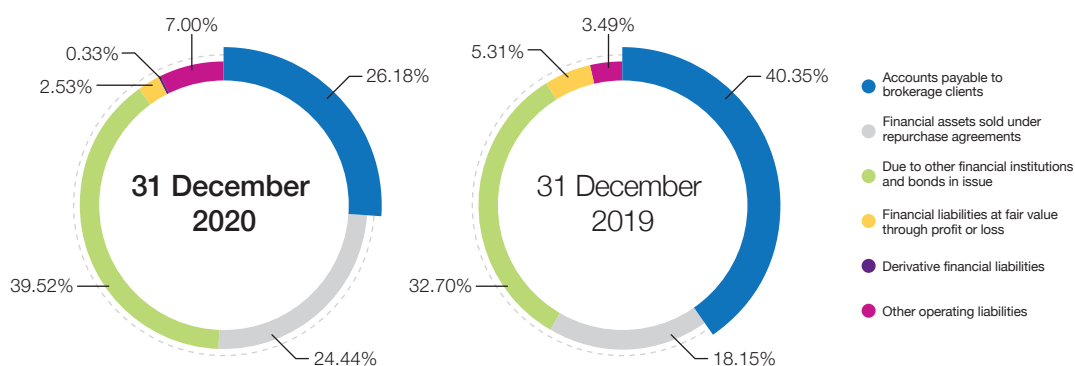
### (3) Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB35,625.78 million, representing a year-on-year increase of RMB15,273.70 million or 75.05%, of which accounts payable to brokerage clients amounted to RMB9,327.20 million, representing a year-on-year increase of 13.58%; financial assets sold under repurchase agreements amounted to RMB8,707.70 million, representing a year-on-year increase of 135.79%; other operating liabilities amounted to RMB2,495.19 million, representing a year-on-year increase of 250.95%. Changes in the Group's liabilities items are as follows:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/decrease	Growth rate year-on-year
<b>Liabilities</b>				
Accounts payable to brokerage clients	9,327.20	8,212.33	1,114.87	13.58%
Financial assets sold under repurchase agreements	8,707.70	3,692.99	5,014.71	135.79%
Due to other financial institutions and bonds in issue	14,079.83	6,655.32	7,424.51	111.56%
Financial liabilities at fair value through profit or loss	899.28	1,080.46	-181.18	-16.77%
Derivative financial liabilities	116.58	0.00	116.58	-
Other operating liabilities	2,495.19	710.98	1,784.21	250.95%
<b>Total</b>	<b>35,625.78</b>	<b>20,352.08</b>	<b>15,273.70</b>	<b>75.05%</b>

The composition of the Group's total liabilities:



## Section 4 Report of the Board

Due to other financial institutions and bonds in issue

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ decrease	Growth rate year-on-year
<b>Due to other financial institutions and bonds in issue</b>				
Due to other financial institutions	300.07	200.29	99.78	49.82%
Bonds in issue	13,779.76	6,455.03	7,324.73	113.47%
<b>Total</b>	<b>14,079.83</b>	<b>6,655.32</b>	<b>7,424.51</b>	<b>111.56%</b>

Due to other financial institutions and bonds in issue increased by RMB7,424.51 million or 111.56% year-on-year, which was attributable to the Company's expansion in its financing channels in supporting its business development.

*Other operating liabilities*

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ decrease	Growth rate year-on-year
<b>Other operating liabilities</b>				
Salaries, bonuses, allowances and benefits payable	338.24	259.07	79.17	30.56%
Lease liabilities	175.64	172.65	2.99	1.73%
Other current liabilities and other non-current liabilities	1,981.31	279.26	1,702.05	609.49%
<b>Total</b>	<b>2,495.19</b>	<b>710.98</b>	<b>1,784.21</b>	<b>250.95%</b>

Salaries, bonuses, allowances and benefits payable increased by RMB79.17 million or 30.56% year-on-year;

Other current liabilities and other non-current liabilities increased by RMB1,702.05 million or 609.49% year-on-year, mainly attributable to the development of OTC derivatives business and margin deposits of derivative contracts increased.

## Section 4 Report of the Board

### (4) Equity

As at the end of the Reporting Period, total equity of the Group amounted to RMB10,594.17 million, representing a year-on-year increase of 31.32%. The following table sets forth the composition of the Group's equity as at the date indicated:

Unit: in RMB million

Items	31 December 2020	31 December 2019	Increase/ decrease	Growth rate year-on-year
Share capital	2,378.12	1,902.40	475.72	25.01%
Share premium	3,659.71	2,178.48	1,481.23	67.99%
Reserves	2,061.63	1,907.67	153.96	8.07%
Retained earnings	2,494.71	2,078.78	415.93	20.01%
Total	10,594.17	8,067.33	2,526.84	31.32%

### (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) assets 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 investment, (v) assets management and investment; and (vi) others. We report financial results of the business lines under these six business segments.



## Section 4 Report of the Board

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

	2020		2019	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Brokerage and wealth management	941.80	34.97	657.45	30.67
Credit transaction	581.13	21.58	599.76	27.97
Investment banking	365.26	13.56	316.65	14.77
Proprietary investment	675.04	25.07	443.93	20.71
Asset management and investment	104.45	3.88	81.78	3.81
Other businesses	75.33	2.80	48.90	2.28
Eliminations	-50.00	-1.86	-4.53	-0.21
<b>Total</b>	<b>2,693.01</b>	<b>100.00</b>	<b>2,143.94</b>	<b>100.00</b>

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

	2020		2019	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Brokerage and wealth management	600.34	31.51	511.05	35.07
Credit transaction	354.00	18.58	311.46	21.37
Investment banking	256.47	13.46	246.58	16.92
Proprietary investment	253.77	13.32	22.77	1.56
Asset management and investment	54.45	2.86	30.38	2.08
Other businesses	394.30	20.70	336.31	23.08
Eliminations	-8.24	-0.43	-1.10	-0.08
<b>Total</b>	<b>1,905.09</b>	<b>100.00</b>	<b>1,457.45</b>	<b>100.00</b>

## Section 4 Report of the Board

The following table sets forth our segment results (profit/(loss) before income tax) for the years indicated, which is calculated as segment revenue, net investment gains and other income (including inter-segment revenue) minus segment expenses (including inter-segment expenses).

	2020		2019	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Brokerage and wealth management	341.46	43.34	146.40	21.32
Credit transaction	227.13	28.83	288.30	42.00
Investment banking	108.79	13.81	70.07	10.21
Proprietary investment	421.27	53.46	421.16	61.35
Asset management and investment	50.00	6.34	51.40	7.49
Other businesses	-318.97	-40.48	-287.41	-41.87
Eliminations	-41.76	-5.30	-3.43	-0.50
Total	787.92	100.00	686.49	100.00

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

During the Reporting Period, changes in the major accounting policies of the Company were detailed in the notes to the consolidated financial statements (2. Application of amendments to international financial reporting standards); there were no changes in accounting estimation and correction of significant accounting errors of the Company.

### 8. Contingent Liabilities, Capital Commitments and Pledge of Capital

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

## Section 4 Report of the Board

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

#### 1. Branches

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

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

During the Reporting Period, the Company established two new branches, namely Hangzhou Kuoshiban Road Securities Branch and Ningbo Zhanchuan Street Securities Branch respectively.

###### 2 *Relocation of Securities Branches*

The Company constantly adjusted and optimized its branch network. During the Reporting Period, the relocations of Shenzhen Yitian Road Securities Branch, Wuxi Renmin East Road Securities Branch, Jiangyin Huashi Town Xinsheng Road Securities Branch, Yixing Zhangzhu Town Taoxi Road Securities Branch, Guangzhou Binjiang East Road Securities Branch and Suzhou Jiefang West Road Securities Branch within the same city were completed.

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

###### 1 *Establishment of Branch Offices*

During the Reporting Period, the Company held the eighth meeting of the fourth session of the Board on 29 May 2020, which considered and approved the resolution to establish a new branch office in Nantong area. The Company completed the establishment of the Suzhong branch office on 12 November 2020.

###### 2 *Relocation of Branch Offices*

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

## Section 4 Report of the Board

### 2. Subsidiaries

During the Reporting Period, the Company established a wholly-owned subsidiary, Guolian HK, with a registered capital of HK\$300 million. Guolian HK is principally engaged in holdings, investment, and overseas securities business through its subsidiaries. The subsidiary of Guolian HK successfully applied for Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) licenses from the Securities and Futures Commission of Hong Kong in December 2020.

### 3. Impact on Results

In 2020, the above matters had no material impact on the results of the Company.

## (V) Major Investment and Financing Activities

### 1. Equity Financing

The Company was listed on the Shanghai Stock Exchange on 31 July 2020, with a public offer of 475,719,000 new shares, raising a total of RMB2,021.80575 million.

### 2. Debt Financing

In 2020, the cumulative additional debt financing amount of the Company (excluding inter-bank borrowing transactions and issued floating-income type income certificates) was RMB18.024 billion, and the cumulative principal repayment of debt financing matured amounted to RMB10.664 billion. The remaining amount of outstanding debt financing of the Company as at 31 December 2020 was RMB13.860 billion. The remaining amount of various indebtedness was as follows:

- (1) The new issuing amount of publicly issued bonds to qualified investors was RMB1.5 billion, with the principal of RMB1.7 billion being repaid. The outstanding publicly issued bonds to qualified investors as at 31 December 2020 were RMB1.5 billion, the particulars of the remaining amount of which were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Public issued corporate bonds	150,000	2020/4/15	2022/4/15	730	2.88%

## Section 4 Report of the Board

- (2) The new issuing amount of privately issued corporate bonds was RMB3.3 billion, with the principal of RMB1.0 billion being repaid. The outstanding privately issued corporate bonds as at 31 December 2020 were RMB3.3 billion, the particulars of the remaining amounts were as follows:

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

- (3) The new private issuance of subordinated bonds was RMB1.7 billion. The outstanding subordinated bonds as at 31 December 2020 were RMB4.0 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Private issuance of subordinated bonds	150,000	2016/7/29	2021/7/29	1,825	3.89%
	80,000	2019/3/27	2022/3/27	1,095	4.74%
	70,000	2020/3/5	2023/3/5	1,095	4.25%
	100,000	2020/11/26	2022/11/26	730	4.70%

- (4) The new public issuance of short-term corporate bonds to professional investors was RMB1.0 billion. The remaining amount of the outstanding short-term corporate bonds as at 31 December 2020 was RMB1.0 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Public issuance of short-term corporate bonds to professional investors	100,000	2020/12/24	2021/12/24	365	3.35%

## Section 4 Report of the Board

- (5) The inter-bank new public issuance of securities corporate short-term financing bonds was RMB6.8 billion, with the principal of RMB5.8 billion being repaid. The outstanding securities corporate short-term financing bonds as at 31 December 2020 were RMB2.0 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Short-term financing					
bonds	100,000	2020/10/26	2021/1/22	88	3.20%
	100,000	2020/12/22	2021/2/26	66	3.15%

- (6) The new issuing amounts of fixed-income type income certificates were RMB3.124 billion, with the principal of RMB1.664 billion being repaid. The remaining amount of the outstanding fixed-income type income certificates as at 31 December 2020 were RMB1.76 billion, the particulars of the remaining amount were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Fixed-income type					
income certificates	30,000.0	2020/8/4	2021/1/22	171	3.60%
	30,000.0	2020/8/28	2021/3/1	186	3.75%
	30,000.0	2020/9/28	2021/3/30	183	3.90%
	3,000.0	2020/10/30	2021/7/28	272	3.80%
	3,000.0	2020/10/30	2021/1/27	90	3.00%
	10,000.0	2020/11/19	2021/5/19	181	3.90%
	30,000.0	2020/11/24	2021/5/24	181	4.00%
	4,000.0	2020/11/26	2021/5/25	181	3.80%
	10,000.0	2020/12/10	2021/12/9	365	4.00%
	3,000.0	2020/12/15	2021/6/14	182	3.80%
	8,000.0	2020/12/29	2021/6/28	182	3.80%
	15,000.0	2020/12/29	2021/12/22	359	4.00%

## Section 4 Report of the Board

- (7) The additional refinancing facilities were RMB0.6 billion, with the principal of RMB0.5 billion being repaid. The remaining amount of the outstanding refinancing facilities as at 31 December 2020 was RMB0.3 billion, the particulars of the remaining amount were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Refinancing	30,000	2020/12/29	2021/3/30	91	2.80%

### 3. Equity Investment

On 30 September 2020, as considered and approved by the eleventh meeting of the fourth session of the Board of the Company, the Company entered into the Equity Transfer Agreement with La Compagnie Financière Edmond de ROTHSCHILD Banque to acquire the 25% equity interest in Zhonghai Fund (please refer to the announcement of the Company for details).

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

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

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

### (I) Industry layout and trend

2020 was an extraordinary year, as affected by the epidemic, the global economic growth experienced a decline before bouncing back but it was still generally in a downward trend overall. According to the World Economic Outlook Report published by IMF, it is expected that the global economy will shrink by 3.5% in 2020. The major economies were generally in a downward trend, and China will become the only major economy with a positive growth in 2020, and GDP growth rate for the year was 2.3%.

Despite global economic downturn, however, driven by easing currency, major global stock indexes went up in general, with a strong performance in domestic stock indexes. The SSE Composite Index increased by 13.87% for the year, and the SZSE Component Index increased by 38.73%. Under the circumstances of encouraging technological innovation, the GEM index increased by 64.96% significantly for the year. In 2020, the annual trading volumes of Shanghai Stock Exchange and Shenzhen Stock Exchange were RMB83.99 trillion and RMB122.84 trillion, respectively, representing significant increases of 54.30% and 68.20% respectively as compared with the previous year. During the Reporting Period, the bond market first rose and then fell with the yield of 10-year China Treasury Bonds of 3.22% as of the end of the year, representing a slight increase as compared with 3.17% as at the end of 2019, while the aggregate full price index of ChinaBond decreased slightly by 0.16% for the year.

On 14 May 2020, for the first time, the “deepening supply-side structural reform and giving full play to the advantages of China’s mega-sized market and domestic demand potential to build a new development layout with domestic and international dual circulation reinforcing each other” was proposed at the meeting of the Standing Committee of the Central Political Bureau of the Communist Party of China, the new development layout of “dual-circulation” has received common consensus since then.

Under the “dual-circulation” development layout, the proportion of direct financing will further increase, and the role of capital market in financial operations will become more prominent. The institutional policies favouring the long-term and healthy development of capital market such as new refinancing policy, registration system and investor protection have been introduced. The process of internationalization of capital market and the opening up of the financial industry has begun to accelerate significantly. This will play an important role in improving the functions of capital market in the PRC, promoting institutional changes, enhancing market efficiency and sophistication, and have an important impact on the competitive layout of the securities industry.



## Section 4 Report of the Board

From the perspective of the competitive layout of the securities industry, due to the tremendous advantages of leading securities brokers in terms of capital strengths, project reserves, licence sub-division, customer base, business innovation, information technology and talent reserves, industry concentration has further increased in recent years. With the year-on-year increase in industry concentration and the differentiated support of regulatory policies, leading securities brokers will still take the lead in many business sectors in future. The competitive pressure of small and medium securities brokers may further intensify.

However, as a regional securities broker, the rise of regional economy is expected to bring good development opportunities for the Company. The integration of the Yangtze River Delta has been escalated to become a top national strategy, and financial institutions will enjoy important opportunities in participating in and serving the integration construction of the Yangtze River Delta. For instance, providing investment and financing needs for infrastructure construction and supporting the innovation and entrepreneurship of high-tech industries, which may bring more good business opportunities to the Company.

### (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 2021, under the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Company will further integrate the core innovation-driven strategy and the leading strategy of city development through industry in Wuxi, and integrate the national strategy of "Integration of Yangtze River Delta Region". Through focusing on serving the real economy and leading by the direction of high-quality development, the Company will continue to expand its business scale and enhance its core competitiveness. The Company will further enhance its capital strengths to expand its asset size, and comprehensively strengthen customer coverage to further expand its customer scale, so as to improve asset deployment efficiency and improve the overall return level on the Company's assets. The Company will continue to optimize its construction of information system, operation management system, financial system and administrative management system to improve the professional standard of the middle-back end management.

### (IV) Capital needs

In 2020, the Company's various businesses continued its steady and sound development. During the Reporting Period, the Company completed the cumulative debt financing (excluding inter-bank borrowing transactions and issuance of floating income type income certificates) of RMB18.024 billion, and the cumulative principal repayment of maturing debt financing of RMB10.664 billion, and the Company's interest payment costs showed an overall 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 manage its debt and liquidity appropriately.

### (V) Analysis of Competitiveness

#### 1. Unique Regional Advantages

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

## 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.

## Section 4 Report of the Board

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. The Company was rated as Class A in A Category for the third consecutive year in the classification and evaluation results of the securities companies announced by CSRC for the year 2020.

### III. RISK MANAGEMENT

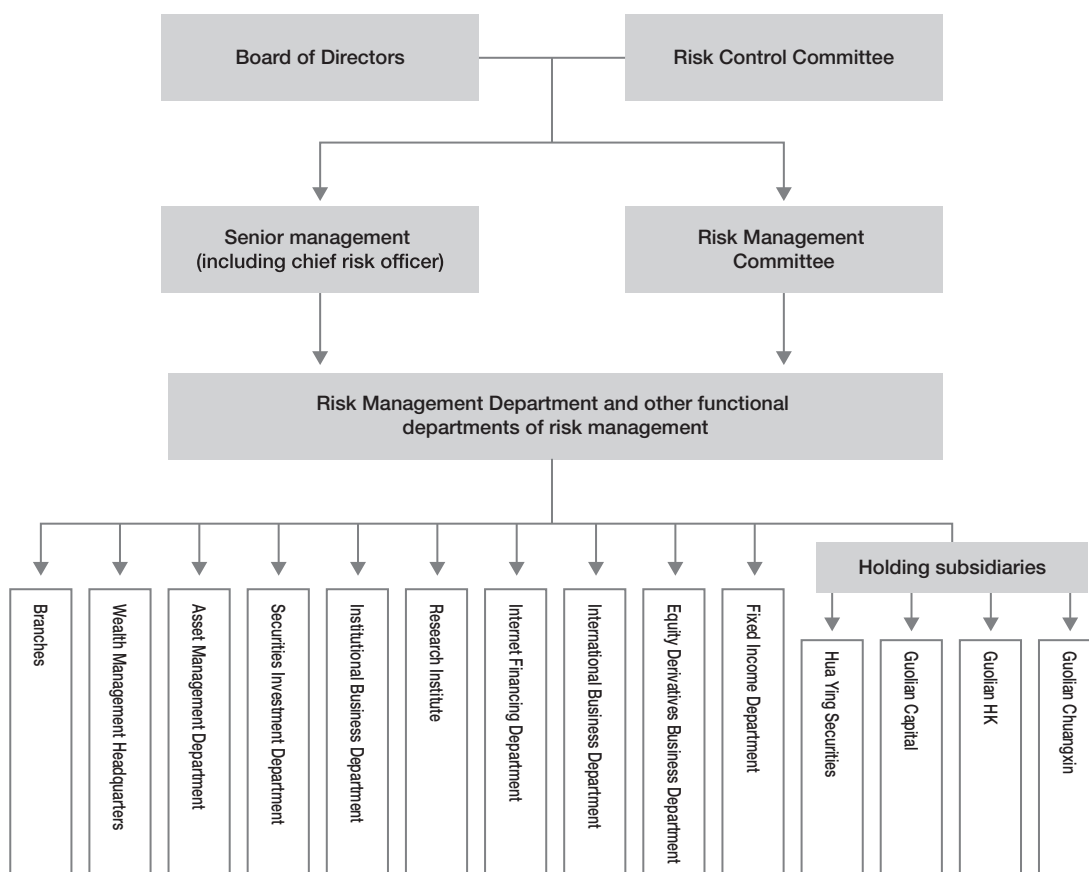
#### (I) General Description

The risk management of the Company is guided by its development strategy, and a variety of risk management tools based on quantitative indicators are applied to establish a comprehensive risk management system covering various businesses, risks and the entire process to ensure the risks of the Company are controllable, measurable and tolerable, so as to maximize the long-term value of the Company, and promote the formation of a sound risk management culture within the Company, strengthen the Company’s 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

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



## Section 4 Report of the Board

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

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

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

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

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

## Section 4 Report of the Board

The Company establishes a Risk Management Committee under the senior management, which is mainly responsible for reviewing the Company's risk management system and norms; reviewing stress test and scenario test results; reviewing and approving the implementation matters concerning regulatory requirements such as the Company's net capital regulatory indicators; reviewing the report on risk events handling; reviewing risk management assessment proposals and results; reviewing and approving new businesses and risk limit at corporate level and department level; reviewing and approving risk positions that have a significant impact on the Company's capital and liquidity; reviewing and approving risks arising from new products involving the capital of the Company and establishing risk limits; reviewing and approving large amount credit granted by the Company.

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

- (1) organize and implement the overall risk management work of the Company;
- (2) review and approve the Company's risk management plan and risk measurement methods, models and indicators, and ensure that the risks undertaken do not exceed the established limits;
- (3) organize the formulation of the Company's internal risk management system and policies, and evaluate major market, credit, liquidity and other risks;
- (4) organize investigation and inquiry for hidden risks existing in business operation and management activities; report major hidden risks discovered to the president of the Company in a timely manner, and put forward rectification opinions to the person-in-charge of other relevant departments; possesses the authority to report to the Board and its Risk Control Committee or the chairman of the Supervisory Committee had the major hidden risks or the rectification of hidden risks fails to meet the standards.

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

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

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

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

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



## Section 4 Report of the Board

### (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 Company's business resulting from the adverse changes in market prices, including stock prices, commodity prices, interest rates and exchange rates, etc. The market risk of the Company mainly comes from the securities proprietary trading, assets management businesses and market-making business, which mainly include interest rate risk, stock price risk and exchange rate risk.

To control market risk, the Company mainly adopted the following measures: (1) sensitivity analysis, the Company ensures that its overall portfolio risk falls within the expected range by setting limit control to different sensitivity parameter and adjusting the market risk of financial products; (2) concentration control, the Company executes the capital limit at all levels (including business and products), and control its risk bearing capacity by limiting market risk exposure, the Company adjusts the capital limit annually to reflect market conditions, operation position and change in risk bearing level of the Company; (3) value-at-risk method, the Company evaluates its risk exposure and debts, relative or absolute risk of equity investment by using daily value at risk, and timely monitor the relevant risk limits of the Company; (4) stress test and scenario analysis, the Company monitors risk exposure by adopting stress test and scenario analysis; (5) with the global expansion of the Company's business, exchange rate risks are exposing gradually. The Company will continue to pay attention to foreign exchange market, constantly enhance institutional development and internal management and prudently carry out overseas financing. A series of measures, such as foreign exchange forward and option hedging, will be considered when planning to develop its overseas business to offset and mitigate exchange rate risks for the purpose of supporting the expansion of the Company's overseas business.

### 2. Credit Risk

Credit risk refers to the risk that may cause economic losses to the Company due to the failure of debtors and transaction counterparties in performing the obligations as agreed in the deeds or their credit qualifications deteriorate. The credit risk of the Company mainly arises from the following aspects: firstly, brokerage business in respect of securities dealing and futures trading on behalf of clients, if the Company does not request clients to pay sufficient trading deposits in advance according to the laws, the Company may have to undertake the settlement responsibility on behalf of clients and to bear the risks of losses resulted in the event that clients do not have sufficient funds to pay for the transaction, or financing gaps exist due to other factors on the settlement date. Secondly, credit risk arising from the securities financing businesses including margin financing and securities lending, stock pledged repurchase, which refers to the risks of losses caused by clients' failure to perform the terms agreed in contracts. Thirdly, default risk from credit product investment, which refers to the risk of asset losses and change in yield by reason of default or refusal to pay principal and interest on due dates by the financing parties or the issuers of the credit products invested. Fourthly, counterparty default risk in over-the-counter ("OTC") derivative transactions, such as interest rate swap, equity swap, OTC option and forwards, i.e., the risk of counterparties failing to perform their payment obligations in accordance with contracts when the contracts reach the mature dates.

The Company assesses the credit ratings of counterparties or issuers through its internal credit rating system, measures its credit risk by means of stress test and sensitivity analysis, and manages such credit risk based on these results through credit policy system. Meanwhile, the Company uses its information management system to monitor its credit risk on a real time basis, keeps track of the credit risk of its business products and transaction counterparties, provides analysis and pre-warning reports, and adjust its credit limits in a timely manner.

## Section 4 Report of the Board

### 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 the businesses of the Company, such as proprietary business, asset management and credit transaction business exerts higher requirements on liquidity.

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

### 4. Operational Risk

Operational risk refers to the risk of loss resulting from the improper or invalid internal processes, personnel and system or external events during the operation process of the Company.

The Company has established a sound internal control mechanism, regularly carries out assessment of internal control effectiveness within the Company. The Risk Management Department arranges special staff to take charge of operational risk, standardize and optimize business processes through new business assessment, business process rationalizing and system review to prevent risks from occurring; collect and sort out internal and external risk events to establish operational risk event database. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, assessment and enhances the risk awareness of employees through the promotion of risk culture; and prepares emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby preventing the outbreak of large-scale operational risk caused by information system failure.

### 5. Compliance Risk

Compliance risk refers to the risk that the Company may be exposed to legal sanction or regulatory penalties, significant financial losses or reputation losses as a result of violating laws and regulations, regulatory requirements, rules, the relevant criterions set up by self-disciplined organizations, and the code of conduct applicable for the operation activities of the Company.

The Company has established an effective and impeccable compliance risks management system and compliance management and organization system. To facilitate its compliance management, the Company has set up the Compliance and Legal Department to explore various effective modes of compliance management through communication with various regulatory departments. At the same time, the Compliance and Legal Department of 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 the Company being negatively evaluated by relevant interested parties due to operations, management and other activities or external events.

The Company conducts dynamic monitoring and management of its reputation risk through the public opinion monitoring system, which focuses on factors that may cause reputation risks during the process of carrying out businesses, such as the changes of internal organizational structure, policies and systems, financial indicators and system adjustment, and reputation risk factors that revealed by news media reports, online public opinion tendency, customer complaints, internal and external audit and regulatory compliance inspection as well as other reputation risk factors that may incur as a result of involvement in judicial matters or mass incidents.

### 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 2019

The Profit Distribution Plan for 2019 (《2019年度利潤分配方案》) was passed at the 2019 annual General Meeting of the Company convened on 10 June 2020. Taking into comprehensive consideration of various factors such as long-term benefits, sustainable development and interests of Shareholders of the Company, the Company intended not to implement profit distribution for 2019.

##### Profit Distribution Plan for 2020

The audited net profit of the parent company in 2020 was RMB567,921,692.65. 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 RMB171,943,377.24, the profit available for distribution for the year amounted to RMB395,978,315.41. The balance of the undistributed profit was RMB1,940,345,146.32 in previous year and the accumulated undistributed profit for this year was RMB2,336,323,461.73.

In considering the long-term development of the Company and the interests of the Shareholders, the Company proposed the profit distribution plan for 2020 as follows: A cash dividend of RMB1.2 (tax inclusive) per 10 shares will be distributed. By using the total number of shares of 2,378,119,000 as at the end of 2020 as a base factor, the total amount of cash dividend is RMB285,374,280.00, and the undistributed profit of RMB2,050,949,181.73 will be carried forward to next year.

The above profit distribution plan is subject to approval at the General Meeting of the Company. Such profit distribution is expected to be paid to the Shareholders of the Company before 6 July 2021, and the Company will make an announcement in time for further relevant information on the profit distribution.

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

#### (I) Overall Situation of Proceeds Raised

##### 1. Proceeds Raised from Initial H Shares Offering

As approved by Zheng Jian Xu Ke [2015] No. 1024 “Reply Concerning Approval of Issuing Overseas-Listed Foreign Shares by Guolian Securities Co., Ltd.” (《關於核准國聯證券股份有限公司發行境外上市外資股的批復》) of the CSRC, in accordance with the relevant requirements of the state’s laws and regulations, the Company completed its first issue of 402,400,000 H Shares to overseas investors at HK Stock Exchange on 6 July 2015 at an issue price of HKD8.00 per share. The net proceeds raised amounted to HKD3,097.3263 million (equivalent to RMB2,443.9763 million) (after deducting underwriting expenses and other capitalization issue expenses), which was verified by PricewaterhouseCoopers Zhong Tian LLP and issued the PricewaterhouseCoopers Zhong Tian Capital Verification Report Yan Zi (2015) No. 956.

By the end of 2020, the Company’s actual cumulative investment amount used was RMB2,629.0677 million in accordance with the committed proceeds purpose (the exchange rate for the used proceeds from the issuance of H shares were calculated at the actual settlement exchange rates), and the proceeds previously raised from the issuance of H Shares of the Company have all been used up for the committed projects. The closing balance of bank account for the proceeds raised amounting to HKD18,342.90 in total was interest payment (equivalent to RMB15,737.38 using the period-end closing exchange rate).

According to the development strategies and actual market situation, the Company was in strict compliance with the requirements of use of proceeds, the committed proceeds were used as follows:

- (1) Approximately 45.0% of the funds will be used to further develop margin financing and securities lending business of the Company, among which RMB1,157.6372 million has been used;

## Section 4 Report of the Board

- (2) Approximately 20.0% of the funds will be used to develop other capital-based intermediary services of the Company, among which RMB524.1577 million has been used;
- (3) Approximately 15.0% of the funds will be used to expand proprietary trading business of the Company, among which RMB386.0812 million has been used;
- (4) Approximately 10.0% of the funds will be used to develop the Internet trading business of the Company, the usage is currently changed to using its as capital contribution and other preliminary expenses for the planned establishment of subsidiaries in Hong Kong and as supplemental working capital of the Company, and RMB285.0905 million has been used;
- (5) Approximately 10.0% of the funds will be used for working capital and other general corporate purposes, among which RMB276.1011 million has been used.

### 2. Proceeds Raised from Initial A Shares Offering

As approved by Zheng Jian Xu Ke [2020] No. 1305 “Reply Concerning the Approval of the Initial Public Offering of Shares of Guolian Securities Co., Ltd.” (《關於核准國聯證券股份有限公司首次公開發行股票的批復》) of the CSRC, in accordance with the relevant requirements of the state’s laws and regulations, the Company completed the initial public offering of 475.719 million A Shares at Shanghai Stock Exchange on 31 July 2020 at an issue price of RMB4.25 per share. The net amount of funds raised was RMB1,938.08454 million and the net price for each security is RMB4.07, which was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP and issued the Deshibao (Yan) Zi (20) No. 00324 Capital Verification Report.

As at the end of 2020, the net proceeds raised from A Shares IPO of the Company have all been used up. There was no balance in the bank account of the raised funds as at the end of the period and all accounts have been cancelled.

The proceeds raised from A Shares IPO of the Company are primarily utilized as follows:

- (1) RMB1.055 billion to expedite the implementation of margin financing and securities lending, securities back repurchase and other capital-based intermediary businesses through capital replenishment;
- (2) RMB616 million to appropriately expand the investment scales in proprietary business according to market condition within manageable risk levels, so as to improve returns from investment;

## Section 4 Report of the Board

- (3) RMB267 million to actively develop OTC business, financial derivatives product business and other innovative services business, in order to diversify revenue streams and optimise revenue mix.

### (II) Change of Proceeds Raised in Projects

#### 1. Proceeds Raised from Initial H Shares Offering

As approved at the General Meeting held on 29 July 2016, the Company changed 10% of the raised funds which were originally planned to be used for developing Internet trading business of the Company to capital contribution and other preliminary expenses used for establishing subsidiaries in Hong Kong and as supplemental working capital of the Company.

#### 2. Proceeds Raised from Initial A Shares Offering

There is no change in the project situation of the proceeds raised from Initial A Shares offering.

### (III) Use of Proceeds for the Committed Projects

#### 1. Proceeds Raised from Initial H Shares Offering

##### *Use of Proceeds for the Committed Projects*

Unit: in RMB ten thousand

Name of committed projects	Any change in project	Invested amount of proceeds raised during the Reporting Period	Actual total invested amount of proceeds	Progress of project used	Change in usage
Margin financing and securities lending	None		115,763.72	100%	
Capital-based intermediary services	None		52,415.77	100%	
Investment business	None		38,608.12	100%	



## Section 4 Report of the Board

Name of committed projects	Any change in project	Invested amount of proceeds raised during the Reporting Period	Actual total invested amount of proceeds	Progress of project used	Change in usage
Internet trading business	Yes				Changed as the capital contribution and other preliminary expenses for establishing subsidiaries in Hong Kong and supplementing the working capital of the Company
Working capital and others	None		27,610.11	100%	
Establishing subsidiaries in Hong Kong and supplementing the working capital of the Company	Yes	28,508.71	28,509.05	100%	
<b>Total</b>		<b>28,508.71</b>	<b>262,906.77</b>	<b>100%</b>	

Note: The exchange rate used for the capital raised from H Shares is based on actual settlement exchange rates.

### (IV) Details of Unused Proceeds Raised

1. By the end of 2020, the proceeds initially raised from the issuance of H Shares of the Company have all been used up for the committed projects.
2. By the end of 2020, proceeds raised from A Shares IPO of the Company have all been used up.

## VI. Directors

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

### VII. Directors and Supervisors' Service Contracts

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

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

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

### IX. Controlling Shareholders' Interests in Contracts of Significance

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

### X. 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.

### XI. 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.

## Section 4 Report of the Board

### **XII. Interests and Short Positions of Directors, Supervisors and Senior Management in the Shares, Underlying Shares or Debentures of the Company and Any of Its Associated Corporations**

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

### **XIII. Compliance with Non-competition Agreement**

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

## Section 4 Report of the Board

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

During the Reporting Period, the Controlling Shareholders and the controlled entities referred 7 new business investment opportunities to Guolian Capital. The Investment Decision Committee of Guolian Capital had reviewed such new business investment opportunities, and considered that such new business investment opportunities involved issues like fierce industry competition, doubtful future market profitability, high investment risks and long investment period, which did not meet the investment project review standards of Guolian Capital, so it decided not take up such new business investment opportunities. The independent non-executive Directors had made an annual review on such decision, and was of the view that the decision made by the Investment Decision Committee of Guolian Capital was based on its professional judgement to the new business investment opportunities, reflecting the interest of the Group.

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

### XIV. Other Disclosures

#### (1) Share Capital

The information is set out in the “Consolidated Statement of Financial Position” and Note 37 to the consolidated financial statements of this report.

#### (2) 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.

#### (3) Sufficiency of Public Float

During the Reporting Period and up to the date of this report, the public float of H Shares of the Company is 18.61%, which remains in compliance with the waiver from strict compliance with the public float requirements granted by HK Stock Exchange pursuant to Rule 8.08(1)(d) of the Listing Rules.

## Section 4 Report of the Board

### (4) 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.

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

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

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

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

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

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

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

Please refer to the “Consolidated Statement of Changes in Equity” and Note 38 to the consolidated financial statements of this report regarding the changes in the Group’s reserves and reserves of profits available for distribution during the Reporting Period.

### (7) 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 RMB76 million, accounting for 2.82% 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

### (8) 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.

### (9) Fulfillment of Social Responsibilities

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

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

#### 1. Staff

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

#### 2. Customers

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

#### 3. Suppliers

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

### (11) Compliance with Laws and Regulations

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

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

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

### (13) 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.

### (14) 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.



## Section 4 Report of the Board

### (15) 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 “II. Discussion and Analysis of the Board on the Future Development of the Company” for details regarding the major risks and uncertainties exposed to the Company, section “(11) Compliance with Laws and Regulations of XIV. Other Disclosures” for details regarding the Company’s compliance with the laws and regulations that have material impact on the Company, section “(10) Relationship between the Company and its Staff, Customers and Suppliers of XIV. Other Disclosures” for details regarding the description of the major relationship between the Company and its staff, customers and suppliers, Section 5 “VIII. Significant Subsequent Events” of this report for details regarding the significant events that have material impact on the Company after the end of financial year and Section 9 “Environmental, Social and Governance Report” of this report for details regarding the environmental policy and performance of the Company.

By order of the Board

**Guolian Securities Co., Ltd.**



**Yao Zhiyong**

*Chairman*

18 March 2021

## Section 5 Other Significant Events

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

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

### II. Significant Lawsuits and Arbitrations

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

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

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

For the relevant background information, please refer to the Company's previous periodic reports. In August 2015, South China International Economic and Trade Arbitration Commission delivered the verdict that the Inner Mongolia Nailun Agriculture Technology Corporation shall pay the Company the bond principal of RMB8.4 million, together with the liquidated damages, deferred compensation and bond interest (the interest shall be calculated to the date on which Inner Mongolia Nailun Agriculture Technology Corporation fulfills all payment obligations), etc. and the verdict shall be final. As of the end of the Reporting Period, the Company had applied to the court for compulsory enforcement, the procedures of which have not been completed yet at the moment.

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

For the relevant background information, please refer to the Company's previous periodic reports. On 15 April 2020, Wuxi Intermediate People's Court issued a civil written verdict which ruled to reject the Zhang Guizhen's lawsuit. Zhang Guizhen filed an appeal on 29 May 2020. As of the end of the Reporting Period, the case is still ongoing.

## Section 5 Other Significant Events

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

For the relevant background information, please refer to the Company's previous periodic reports. On 9 January 2020, the Company received the execution payment of RMB652,953.76 from Wuxi Intermediate People's Court. On 27 March 2020, after ruling that the stocks under the names of Peng Min and Wei Yueping be repaid in kind to the Company, Wuxi Intermediate People's Court made a ruling to conclude this enforcement procedure on 15 April 2020.

On 15 May 2020, the Company submitted a petition to Guilin Intermediate People's Court to withhold and deduct the remaining property under the name of Peng Peng, the person subject to the enforcement ruling, and take personal restrictions such as high consumption restriction. The case has not been completed yet at the moment.

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

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

## III. Important Contracts and Their Fulfillment

On 30 September 2020, as considered and approved by the eleventh meeting of the fourth session of the Board of the Company, the Company entered into the Equity Transfer Agreement with La Compagnie Financière Edmond de ROTHSCHILD Banque to acquire the 25% equity interest in Zhonghai Fund. The agreement is still progressing at the moment.

### IV. Connected Transactions

Particulars of the major related party transactions of the Group for the year ended 31 December 2020 are set out in note 53 to the financial statement.

Certain transactions in the aforementioned related party transactions also constitute Connected Transactions as prescribed in Chapter 14A under the Listing Rules and are subject to reporting, annual review and announcement in accordance with the requirements of Chapter 14A under the Listing Rules, and the aforementioned related party transactions 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. On 11 December 2017, the Group entered into the Securities and Financial Services Framework Agreement and Property Leasing and Related Service Framework Agreement with Guolian Group in respect of the several Continuing Connected Transactions between the two parties, and set the annual caps of the Continuing Connected Transactions under the framework agreements during the period from 1 January 2018 to 31 December 2020. Such framework transactions will facilitate the overall business operation and business growth of the Group, and through integrating the advantageous resources of the Group and Guolian Group and its associates, will lower operating costs and general expenditure of the Group, provide additional revenue source for the Group and further enhance the profitability of the Company and its position in the securities industry. Furthermore, they are capable of providing more suitable and effective trust plan management services to the Company when compared with independent third parties. As one or more applicable percentage ratios of annual caps under the Listing Rules are more than 0.1% but less than 5%, the framework agreements 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 independent shareholders' approval requirements.

## Section 5 Other Significant Events

### 1. Securities and Financial Services Framework Agreement

Pursuant to the Securities and Financial Services Framework Agreement, the Group provided a series of financial services to Guolian Group and its Associates on normal commercial terms, including (1) securities brokerage and Futures IB services; (2) asset management service; (3) agency sales service of financial products; and (4) financial advisory service. The service fees or commissions charged by the Group for the provision of financial services to Guolian Group and its Associates shall be determined based on arms' length negotiations according to the relevant laws and regulations and by reference to market price, and shall not be less than the price paid for purchasing similar services from independent third parties. Meanwhile, the Company appointed Guolian Trust to provide management services for trust plans to the Company and the management services fee for such trust plans shall be agreed by both parties according to normal commercial terms.

Details of the pricing basics for respective services are set out below:

#### (1) *Securities Brokerage*

According to data in Wind and SAC, in the past three years, the average market net commission rate is about 0.0281%.

In addition, according to the Notice on the Adjustment of Securities Trading Commission Standard (Zheng Jian Fa [2002] No. 21) (《關於調整證券交易佣金收取標準的通知》(證監發[2002]21號)) jointly published by CSRC, State Development Planning Commission and SAT in April 2002, the commission charged by the securities companies to the client (including the collection of securities trading supervision fees and stock exchange fees, etc.) shall not be higher than 3‰ of securities transactions amount, nor less than the fee charged by securities trading supervision and stock exchange.

The brokerage commission of the transactions with Guolian Group is determined upon fair negotiation based on above-mentioned market price, historical price and applicable laws and regulation, and is no less favourable to the Group than terms available to independent third parties.

## Section 5 Other Significant Events

### (2) *Futures IB*

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 dealer at a certain ratio. In 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 more favorable to the Group compared with the market practices.

### (3) *Asset Management*

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 our Group and Guolian Group fall within a certain ratio range of similar transactions in the market. In addition, the Group will take into account factors such as basic conditions of the assets or business to determine the management fee.

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

### (4) *Agency Sales of Financial Products*

In respect of agency sales of funds, the price is determined based on the subscription price or redemption price set out in relevant funds contract, asset management contract or prospectus, and the Group will refer to the industry practice and market price to determine the agency sales commission rate. The subscription commission rate will not be lower than a certain ratio, while the redemption fee will be determined according to the products' commission rate published by fund companies.

In respect of sales fee of other 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.

## Section 5 Other Significant Events

### (5) *Financial Advisory*

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 on Wind, and the Group's similar historical transactions with independent third parties to ensure the services fee is not less favorable to the Group.

### (6) *Management Services of Trust Plans*

The price of management services of trust plans is determined with reference to similar trust plan management services in the market and fair negotiation between the Group and Guolian Trust. In 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 the management fee charged by Guolian Trust is no less favorable or even better to the Group.

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	2020 Annual Cap of Transaction Amount	2020 Actual Transaction Amount
<b>Revenue received by the Group</b>		
Including securities brokerage and Futures IB services, asset management service, agency sales service of financial products, financial advisory service and other financial services approved by CSRC	39.86	8.59
<b>Expenses incurred by the Group</b>		
Including management service of trust schemes and other financial services approved by China Banking and Insurance Regulatory Commission	19.80	1.07

## Section 5 Other Significant Events

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

Pursuant to the Property Leasing and Related Services Framework Agreement, the Group and Guolian Group agreed to determine the rental income of the leasing property and the respective service fees according to the relevant laws and regulations, and also the market reference price confirmed by property valuers.

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

Unit: RMB' million

Items	2020 Annual Cap of Transaction Amount	2020 Actual Transaction Amount
<b>Revenue received by the Group</b>		
Including income received from leasing properties	5.00	0.89
<b>Expenses incurred by the Group</b>		
Including expenses incurred for leasing properties, fee expense incurred for the related property services	32.10	19.69

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

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



## Section 5 Other Significant Events

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 such Continuing Connected Transactions as disclosed were not approved by the Board of the Company;
- (2) for the transactions involving the provision of services by the Group, nothing has come to our attention that causes us to believe that such transactions were not entered into, in all material respects, according to the pricing policy of the Group;
- (3) nothing has come to our attention that causes us to believe that such transactions were not entered into, in all material respects, according to the relevant transaction agreements;
- (4) for the purpose of the total amount of every Continuing Connected Transaction, nothing came to our attention that causes us to believe that the amount of such Continuing Connected Transactions had exceeded the annual cap set by the Company.

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

### (II) The New Continuing Connected Transactions Framework Agreement entered into by the Group during this Year

The Company renewed the Securities and Financial Framework Agreement and the Property Leasing and Related Services Framework Agreement with Guolian Group on 18 December 2020. As one or more of the applicable percentage ratios of the annual caps for the years of 2021, 2022 and 2023 under the Securities and Financial Services Framework Agreement and Property Leasing and Related Services Framework Agreement are more than 0.1% but less than 5%, the Securities and Financial Services Framework Agreement, Property Leasing and Related Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempted from the independent shareholders' approval requirements.

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

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

## Section 5 Other Significant Events

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

The Company has been adopting strict internal control and monitoring procedures relating to Continuing Connected Transactions, and the Company has been in strict compliance with such measures in practice all along. Furthermore, the transactions under the Securities and Financial Services Framework Agreement will also be governed by CSRC, which is even stricter.

In particular, the Company's internal control measures include:

- (1) the Company has set up a monitoring system, which has a detailed list of the Company's Connected Persons. If any of the transactions involve Connected Persons of the Company, such transaction will be timely reported to the Board of Directors Office of the Company and can only be continued with the approval and confirmation of the Board of Directors Office. In this way, the Board of Directors Office is able to track down every Connected Transaction's amounts and make sure the annual caps would not be exceeded. Thus, the monitoring system will report to the Board of Directors Office of the Company on the transaction amounts under the Securities and Financial Services Framework Agreement and the Property Leasing and Related Services Framework Agreement in a timely manner so that the Board of Directors Office of the Company is able to strictly control the balance of annual caps to ensure the annual caps would not be exceeded;
- (2) the department in charge of the specific transaction will collect market prices. Such market prices include (i) prices of similar transactions in the market; (ii) the Company's pricing of similar transactions in the past; and (iii) as to the Property Leasing and Related Services Framework Agreement, pricing by similar market transactions or independent third party property valuers. The Company will refer to such market prices in determination of the transaction prices under the Securities and Financial Services 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

### (IV) Other Connected Transactions

#### 1. Underwriting of the issuance of bonds by Guolian Group

On 30 November 2020, Hua Ying Securities, a subsidiary of the Company, entered into the Underwriting Agreement with Guolian Group to be the lead underwriter in respect of the public issuance of the Bonds by Guolian Group for the year 2020. The issuance size of the Bonds is not more than RMB4,000,000,000 with the term not exceeding five years. Hua Ying Securities acts as the lead underwriter to underwrite the Bonds by way of agency sales, and each of Hua Ying Securities and the joint lead underwriters, Huatai United Securities Co., Ltd., undertakes half of the underwriting responsibility. The underwriting fee rate of the Bonds is 0.1% of the issuance size per year. Based on the maximum underwriting commitment of Hua Ying Securities of RMB2,000,000,000, it is expected that Hua Ying Securities shall receive an underwriting commission of up to RMB10,000,000 from Guolian Group. The specific charges are determined based on the actual issuance size and the term of the Bonds.

One of the principal businesses of Hua Ying Securities is the underwriting and sponsorship for shares and bonds in the PRC. The transaction under the underwriting agreement falls within the principal business activities of Hua Ying Securities. Such transaction will bring positive income contribution to the Group and is financially beneficial to the Group and the shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the underwriting agreement is entered into in the ordinary and usual course of business of the Group and the terms contained therein are normal commercial terms and the underwriting agreement is fair and reasonable and in the interests of the Group and the shareholders as a whole.

Please refer to the announcement of the Company dated 30 November 2020 regarding the details of this Connected Transaction.

Guolian Group is the Controlling Shareholder of the Company and is therefore a connected person of the Company. Hua Ying Securities is a wholly-owned subsidiary of the Company. Accordingly, the transaction constitutes a Connected Transaction of the Group. Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or were otherwise related. Reference is made to the announcement of the Company dated 18 December 2019 in relation to, among other things, the underwriting agreement entered into between Jiangsu Asset and Hua Ying Securities. The counterparties of Hua Ying Securities under such agreement and the agreement entered into on this occasion are Guolian Group or its subsidiaries, and the nature of the transactions is the same. Accordingly, such transactions shall be aggregated. As each of the applicable

## Section 5 Other Significant Events

percentage ratios (other than the profits ratio) upon aggregation as calculated in accordance with Chapter 14 of the Listing Rules in respect of such transactions is more than 0.1% but less than 5%, the underwriting agreement is subject to the reporting and announcement requirements, but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

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

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

### VII. Engagement and Dismissal of Accounting Firm

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

Name of Domestic Accounting Firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of Domestic Accounting Firm	RMB2.34 million
Continuous Term of Audit Service of Domestic Accounting Firm	5 years
Name and Continuous Term of Service of Domestic Certified Public Accountants	Wu Xiangyu (武翔宇): 1 year Han Jian (韓健): 5 years
Name of Overseas Accounting Firm	Deloitte Touche Tohmatsu
Remuneration of Overseas Accounting Firm	RMB410,000
Continuous Term of Audit Service of Overseas Accounting Firm	5 years
Name and Continuous Term of Service of Overseas Certified Public Accountant	Ma Hing Fai (馬慶輝): 5 years

In addition, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as the audit institution of internal control for the year 2020, and the relevant audit expenses were RMB380,000.

## 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.

### (III) Engagement of Accounting Firm by the Subsidiaries

In 2020, Hua Ying Securities reappointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its external auditing institution with an audit fee of RMB200,000.

In 2020, Guolian Capital appointed Talent Certified Public Accountants LLP (天衡會計師事務所(特殊普通合夥)) as its annual external auditing institution with an audit fee of RMB35,000.

In 2020, Guolian HK appointed SHINEWING (HK) CPA Limited as its annual external auditing institution with an audit fee of HKD140,000.

## VIII. Significant Subsequent Events

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

Nil

### (II) Annual Profit Distribution Proposal

The annual profit distribution proposal of the Company for the year 2020 is set out in Section 4 of this report “III. Profit Distribution Policies and Profit Distribution Situation”.

### (III) Major Investing and Financing Activities

The fifteenth meeting of the fourth session of the Board convened on 5 February 2021 and the second extraordinary general meeting and shareholders' class meetings for the year 2021 convened on 1 March 2021 of the Company considered and approved The Resolution on the Proposed Non-public Issuance of A Shares of the Company (《關於公司非公開發行A股股票方案的議案》) and other resolutions related to non-public issuance. Up to now, the Company's non-public issuance is actively progressing.

### (IV) Major Litigations and Arbitrations

Nil

## Section 5 Other Significant Events

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

Nil

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

Nil

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

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

Due to the needs of business development, Hua Ying Securities engaged Mr. Wang Jinling as the chief information officer on 6 April 2020. Due to the needs of business development, Hua Ying Securities engaged Mr. Zhou Minghua (周鳴華) as the chief risk officer on 13 April 2020. Mr. Jiang Hongan (江紅安), the former chief risk officer, ceased to be the chief risk officer.

### (II) Profit Distribution Plan

The subsidiaries had no profit distribution plan in 2020.

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

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

During the Reporting Period, the Company completed the initial public offering of A Shares, and 475,719,000 A Shares were issued additionally based on the conversion of original 1,459,760,000 domestic shares into A Shares. As at the end of the Reporting Period, the total share capital of the Company was 2,378,119,000 shares, of which 1,935,479,000 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 117,875 registered shareholders, including 117,766 shareholders of A Shares and 109 registered shareholders of H Shares.

At the end of the Reporting Period, the shareholdings of the top 10 shareholders 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	22.87%	-	Nil
HKSCC (Nominees) Limited (Note 1)	Overseas legal person	442,486,790	18.61%	-8,610	Nil
Guolian Trust	State-owned legal person	390,137,552	16.41%	-	Nil
Wuxi Electric	State-owned legal person	266,899,445	11.22%	-	Nil
Minsheng Investment	State-owned legal person	73,500,000	3.09%	-	Nil
Cotton Textile	State-owned legal person	72,784,141	3.06%	-	Nil
Huaguang Environmental	State-owned legal person	29,113,656	1.22%	-	Nil
Wuxi Jinhong Telecommunications Group Co., Ltd. (無錫金鴻通信集團有限公司)	Domestic non-state-owned legal person	24,000,000	1.01%	-	Nil
Jiangsu Xinfang	Domestic non-state-owned legal person	22,500,000	0.95%	-	Nil
Wuxi Weifu High-technology Co., Ltd.* (無錫威孚高科技集團股份有限公司)	Domestic non-state-owned legal person	18,000,000	0.76%	-	Nil

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

At the end of the Reporting Period, Guolian Group, the Controlling Shareholder of the Company, directly held 22.87% of the shares in the Company, and indirectly held 35.00% of the shares in the Company through Guolian Trust, Wuxi Electric, Minsheng Investment, Cotton Textile and Huaguang Environmental, and thus holding 57.87% 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 Share of the Company

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

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

Wuxi Electric was established in March 1986, whose predecessor was Wuxi Municipal Electric Power Company\* (無錫市地方電力公司), which was later renamed and changed into a limited liability company with a registered capital of RMB319.506 million. Wuxi Electric is principally engaged in distributed PV power generation; house leasing services; coal sales; trade consulting services. Mr. Ma Guibin is both the legal representative and principal of Wuxi Electric.

### IV. Disclosure of Interests

As at 31 December 2020, to the knowledge of the Company's Directors after making reasonable enquiry, the following persons (not being the Directors, Supervisors or chief executives of the Company) have interests or short positions which shall be disclosed to the Company and recorded in the register required to be kept by the Company in the shares and underlying shares of the Company in accordance with Sections 2 and 3 of Part XV of the SFO and Section 336 of the SFO:

Name of Shareholders	Types of Shares	Nature of Interests	Number of Shares (Note 3)	Percentage of Total Number of Issued Shares of the Company (Note 4)	Percentage of Total Issued A Shares/ H Shares of the Company (Note 4)
Guolian Group (Note1)	A Shares	Beneficial Owner and Interest of Controlled Corporation	1,376,336,123 (L)	57.87%	71.11%
Guolian Trust	A Shares	Beneficial Owner	390,137,552 (L)	16.41%	20.16%
Guolian Industrial (Note 2)	A Shares	Interest of Controlled Corporation	266,899,445 (L)	11.22%	13.79%
Wuxi Electric	A Shares	Beneficial Owner	266,899,445 (L)	11.22%	13.79%



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

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 2020 and up to the date of this report, the Company issued 1,935,479,000 A Shares and 442,640,000 H Shares in total. The total number of shares is 2,378,119,000.

Save as disclosed above, as at 31 December 2020, the Company is not aware of any other persons (excluding the Directors, Supervisors and chief executives of the Company) having the interests or short positions that are required to be recorded in the register in the shares or underlying shares of the Company under Section 336 of the SFO.

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

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

## 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>							
Yao Zhiyong	Chairman of the Board Non-executive Director	Male	49	13 June 2019 to 12 June 2022	-	-	-
Ge Xiaobo	Executive Director President Financial Officer	Male	50	23 October 2019 to 12 June 2022	-	276.00	-
Hua Weirong	Non-executive Director	Male	55	13 June 2019 to 12 June 2022	-	-	-
Zhou Weiping	Non-executive Director	Male	52	13 June 2019 to 12 June 2022	-	-	-
Liu Hailin	Non-executive Director	Male	43	13 June 2019 to 12 June 2022	-	-	-
Zhang Weigang	Non-executive Director	Male	58	13 June 2019 to 12 June 2022	-	-	-
Lu Yuanzhu	Independent Non-executive Director	Male	43	13 June 2019 to 12 June 2022	-	12.00	-
Wu Xingyu	Independent Non-executive Director	Male	44	13 June 2019 to 12 June 2022	-	12.00	-
Chu, Howard Ho Hwa	Independent Non-executive Director	Male	56	27 June 2019 to 12 June 2022	-	12.00	-

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

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>Supervisors</b>							
Jiang Zhiqiang	Chairman of Supervisory Committee and Shareholder Representative Supervisor	Male	50	13 June 2019 to 12 June 2022	-	142.51	-
Zhou Weixing	Shareholder Representative Supervisor	Male	58	13 June 2019 to 12 June 2022	-	-	-
Ren Jun	Shareholder Representative Supervisor	Male	42	13 June 2019 to 12 June 2022	-	-	-
Shen Ying	Employee Representative Supervisor	Female	52	13 June 2019 to 12 June 2022	-	28.84	-
Yu Lei	Employee Representative Supervisor	Female	47	13 June 2019 to 12 June 2022	-	38.35	-
<b>Senior Managements</b>							
Yin Hongwei	Vice President	Female	54	5 February 2020 to 12 June 2022	-	225.00	-
Li Qin	Vice President	Male	44	5 February 2020 to 12 June 2022	-	174.00	-
Ma Qunxing	Vice President	Male	44	1 March 2020 to 12 June 2022	-	225.00	-
Wang Jie	Secretary of the Board	Male	51	13 June 2019 to 12 June 2022	-	174.00	-
Wang Jinning	Chief Information Officer	Male	46	13 June 2019 to 12 June 2022	-	192.00	-
Dai Jiechun	Chief Compliance Officer	Male	44	27 August 2020 to 12 June 2022	-	70.00	-
Chen Xingjun	Chief Risk Officer	Male	39	13 June 2019 to 12 June 2022	-	132.98	-
Yang Ming	Vice President (resigned)	Male	39	13 June 2019 to 12 October 2020	-	142.64	Resignation
Xu Faliang	Chief Compliance Officer (resigned)	Male	56	13 June 2019 to 27 August 2020	-	180.16	Work changes

- Notes:
- No Director, Supervisor or senior management of the Company had once held any shares of the Company at the beginning or at the end of the Reporting Period.
  - During the Reporting Period, the Company did not implement any equity incentive schemes for the Directors, Supervisors or senior management of the Company.
  - No non-cash remuneration was ever received by any Directors, Supervisors or senior management of the Company.
  - The remuneration of the Directors, Supervisors and senior management of the Company includes salary before tax, bonus and allowance.

## 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 and completion of employment
Yao Zhiyong	Guolian Group	Vice President	March 2017 to present
Hua Weirong	Guolian Group	Director, President	December 2015 to present
		Legal Representative	September 2018 to February 2020
Zhou Weiping	Guolian Trust	Chairman	January 2014 to present
Liu Hailin	Jiangsu Xinfang	General Manager and Executive Director	April 2019 to present
Zhou Weixing	Wuxi Weifu High-technology Co.,Ltd.* (無錫威孚高科技集團股份有限公司)	Secretary to the Board	June 2005 to present
Ren Jun	Wuxi Municipal Xinfu Group Limited* (無錫市新發集團有限公司)	Deputy General Manager	July 2016 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	Date of commencement and completion of employment
Yao Zhiyong	Guolian Financial Holding Group Co., Limited	Chairman of the Board	March 2017 to November 2020
	Hua Ying Securities	Chairman of the Board	May 2016 to present
Ge Xiaobo	Guolian Financial Investment (國聯金融投資)	Director	July 2017 to present
	Hua Ying Securities	Director	November 2019 to present
	Zhonghai Fund	Director	December 2019 to present
Hua Weirong	Guolian HK	Director	February 2020 to present
	Guolian Industrial	Director, President	March 2016 to present
		Legal Representative	September 2018 to June 2020
	Guolian Financial Investment (國聯金融投資)	Director, President	June 2012 to present
		Legal Representative	September 2018 to June 2020
	Wuxi Guofa Asset Operation Co., Ltd.* (無錫市國發資本運營有限公司)	Director and General Manager	February 2020 to present
		Chairman of the Board and Legal Representative	June 2018 to February 2020
Zhou Weiping	V Capital Co., Ltd.*(一村資本有限公司)	Director	September 2020 to present
	Wuxi Rural Commercial Bank Co., Ltd.* (無錫農村商業銀行股份有限公司)	Director	June 2020 to present
Zhang Weigang	General office of Wuxi municipal branch of China Post Group Company* (中國郵政集團公司無錫市分公司綜合辦公室)	Senior Staff	September 2019 to present
Lu Yuanzhu	Sun Yat-sen University (中山大學)	Professor	August 2020 to present
	Central University of Finance and Economics (中央財經大學)	Professor	October 2011 to July 2020
	Beijing Tianyishangjia New Material Corp., Ltd.	Independent Non-executive Director	December 2018 to present
	Beijing Global Safety Technology Co., Ltd.	Independent Non-executive Director	December 2018 to present
Wu Xingyu	Hubei Jumpcan Pharmaceutical Co., Ltd.	Independent Director	April 2016 to March 2020
	Shanghai PRET Composites Co., Ltd.	Independent Director	July 2016 to present
	Beijing Tongrentang Co., Ltd.	Independent Director	June 2018 to present
	Shanying International Holdings Co., Ltd.	Vice President and Secretary to the Board	March 2019 to November 2020
	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)	Independent Director	June 2020 to present

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

Name	Name of other companies	Position held	Date of commencement and completion of employment
Chu, Howard Ho Hwa	Go Capital Limited	Fund partner	January 2014 to present
	BOE Varitronix Limited	Independent Non-executive Director	June 2016 to present
Jiang Zhiqiang	Zhonghai Fund	Director	November 2011 to present
Ren Jun	Wuxi High-Tech Industrial Development Co., Ltd.* (無錫高新技術產業發展股份有限公司)	Chairman of the Board, General Manager	September 2019 to present
	Wuxi Xinfra Integrated Circuit Industrial Park Co., Ltd.* (無錫市新發集成電路產業園有限公司)	Chairman of the Board, General Manager	February 2020 to present
	Wuxi Yungang Venture Capital Co., Ltd.* (無錫市雲港創業投資有限公司)	Executive Director, General Manager	July 2020 to present
Yin Hongwei	Guolian Capital	Chairman of the Board	April 2020 to present
Li Qin	Guolian Chuangxin	Director	July 2019 to present
	Guolian HK	Director	February 2020 to present
Wang Jinling	Hua Ying Securities	Chief Information Officer	April 2020 to present
Dai Jiechun	Accounting Supervision Division of Jiangsu Securities Regulatory Bureau* (江蘇證監局會計監管處)	Deputy Director, Grade Two Investigator	June 2017 to February 2020

## 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 and is determined based on position and performance.

#### (II) Decision-making Procedures

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

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

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

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

For details regarding the information of remuneration payment to Directors, Supervisors and senior management of the Company, please refer to the "Changes in Shareholdings and Remuneration Information of Current and Resigned Directors, Supervisors and Senior Management During the Reporting Period" under this section. The total remuneration of Directors, Supervisors and senior management of the Company in 2020 is RMB20.3748 million. For the list of top five staff with highest remuneration and the category of remuneration of senior management, please refer to the note 12 to consolidated financial statements in this report.

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

#### (I) Changes of Directors

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 21 November 2019, the Company convened the third meeting of the fourth session of the Board, and engaged Ms. Yin Hongwei (尹紅衛), Mr. Li Qin (李欽) and Mr. Ma Qunxing (馬群星) as the vice presidents of the Company. Ms. Yin Hongwei (尹紅衛) and Mr. Li Qin (李欽) have obtained the qualification for the appointment as senior management personnel at manager level of securities companies approved by Jiangsu Securities Regulatory Bureau on 5 February 2020 and commenced their office on the same day. According to the new Securities Law, Mr. Ma Qunxing (馬群星) is not required to obtain the qualification approval for his appointment and he commenced his office on the day the new Securities Law became effective (1 March 2020).

On 27 August 2020, the Company convened the tenth meeting of the fourth session of the Board, and engaged Mr. Dai Jiechun (戴潔春) as the chief compliance officer of the Company, and Mr. Xu Faliang (徐法良) ceased to be the chief compliance officer of the Company.

On 12 October 2020, Mr. Yang Ming (楊明), the vice president, tendered his written resignation to the Board of the Company, and applied for resignation from the position of vice president due to job changes. His resignation took effect from the date the written resignation was delivered to the Board.



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

#### (I) Directors

Mr. Yao Zhiyong (姚志勇), born in 1971, Chinese nationality with no right of permanent residency abroad, holds a master's degree in business administration. He is currently the vice president of Guolian Group and a director of Guolian Financial Investment. He is a Director of the Company since August 2012 to date, and the Chairman of the Board of the Company since March 2013 to date. He is currently the chairman of Hua Ying Securities. He once served as a sales clerk of Wuxi Securities Company\* (無錫市證券公司) (the predecessor of the Company), a floor trader stationed at Shanghai Stock Exchange and the office director of securities branch, investment manager, manager and deputy general manager of the securities research department and chairman of the board and general manager of Guolian Investment Management, deputy general manager of the securities investment department of Guolian Group, assistant to president and general manager of the strategic development department of Guolian Financial Investment, executive director and legal representative of Wuxi Equity Exchange Co., Ltd.\* (無錫產權交易所有限公司), director of Surrich International Company Limited\* (錫洲國際有限公司) and chairman of the board of Guolian Financial Holding Group Co., Limited\* (國聯金融控股集團有限公司).

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 executive Director, president and financial officer of the Company, and concurrently served as a director of Hua Ying Securities, Zhonghai Fund and Guolian HK. He joined CITIC Securities Company Limited since 1997, and previously served as the manager and senior manager of its investment banking department, deputy director of the A Shares listing office, deputy general manager and executive general manager of the risk control department, administrative person-in-charge of the trading and derivatives department, planning and finance department, risk management department, and overseas business and fixed income business, a member of the executive committee, the person-in-charge of accounting affairs and chief risk officer. He had concurrently served as the director of CITIC Securities International, CLSAB.V., China Asset Management, CITIC Securities Investment and CITIC Private Equity Funds, etc., the chairman of the international strategy committee and the vice chairman of the overseas committee of SAC.

## 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 senior accountant. He is currently the president of Guolian Group, director and president of Guolian Financial Investment, director and president of Wuxi Guofa Asset Operation Co., Ltd.\* (無錫市國發資本運營有限公司), director and president of Guolian Industrial, and director of V-Capital Co., Ltd.\* (一村資本有限公司). He is a Director of the Company since May 2008 to date. He served as a clerk of the department of budget management and the department of the comprehensive planning and the deputy section chief of the department of comprehensive planning of Wuxi Finance Bureau (無錫市財政局), department manager, assistant to general manager and deputy general manager of Wuxi Trust Investment Co., Ltd.\* (無錫市信託投資公司), director and president of the Company, director and vice president of Guolian Group, chairman of the board of Zhonghai Fund, chairman of the board of Guolian Trust, director of China Asset Management Co., Ltd., director and chairman of the board of Wuxi Guolian Venture Capital Co., Ltd.\* (無錫國聯創業投資有限公司), director of Wuxi Rural Commercial Bank Co., Ltd.\* (無錫農村商業銀行股份有限公司), director of Jiangsu Yixing Rural Commercial Bank Co., Ltd.\* (江蘇宜興農村商業銀行股份有限公司), director and chairman of the board of Jiangsu Asset Management Co., Ltd.\* (江蘇資產管理有限公司), director and chairman of the board of Wuxi Baolian Investment Co., Ltd.\* (無錫市寶聯投資有限公司), director and chairman of the board of Wuxi Delian Investment Co., Ltd.\* (無錫市德聯投資有限公司), director and chairman of the board of Wuxi Liantai Venture Capital Co., Ltd.\* (無錫聯泰創業投資有限公司), chairman of the board of Guolian Life Insurance Co., Ltd.\* (國聯人壽保險股份有限公司), chairman of the board of Guolian Financial Holding Group Co., Limited\* (國聯金融控股集團有限公司) and chairman of the board of Guolian Industrial Investment Co., Ltd.\* (無錫國聯產業投資有限公司), the legal representative of Guolian Industrial, the legal representative of Guolian Financial Investment and the chairman of the board and legal representative of Wuxi Guofa Asset Operation Co., Ltd.\* (無錫市國發資本運營有限公司).

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, a director of Wuxi Rural Commercial Bank Co., Ltd.\* (無錫農村商業銀行股份有限公司). He is a Director of the Company since June 2016 to date. He previously served as an accountant of Wuxi Mineral Exploration Machinery Factory\* (無錫市探礦機械總廠), finance manager of Wuxi Hengda Securities Co., Ltd.\* (無錫恆達證券公司), deputy manager of Shanghai Handan Road Branch of Wuxi Trust Investment Co., Ltd.\* (無錫市信託投資公司), deputy manager and manager of Kaixin Securities Branch of Wuxi Trust Investment Co., Ltd.\* (無錫市信託投資公司), general manager of Xianqiandong Street Branch of the Company, 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, chief executive officer and chief financial officer of Suntech Power Holdings Co., Ltd.

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

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

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

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

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 chief financial officer of Land Space Technology Corporation Ltd.\* (藍箭航天空間科技股份有限公司), independent director of Shanghai PRET Composites Co., Ltd. (上海普利特複合材料股份有限公司) (002324.SZ), Beijing Tongrentang Co., Ltd. (北京同仁堂股份有限公司) (600085.SH) and Sailvan Times Technology Co., Ltd.\* (賽維時科技股份有限公司). He is an independent non-executive director of the Company since November 2018 to date. He previously served as deputy general manager and chief financial officer of Aotecar New Energy Technology Co., Ltd. (奧特佳新能源科技股份有限公司) (002239.SZ), independent director of Anhui Tongfeng Electronics Company Limited (安徽銅峰電子股份有限公司) (600237.SH) and Hubei Jumpcan Pharmaceutical Co., Ltd. (湖北濟川藥業股份有限公司) (600566.SH), and vice president and secretary to the board of Shanying International Holdings Co., Ltd. (山鷹國際控股股份有限公司) (600567.SH).

## 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 and an independent non-executive director of BOE Varitronix Limited (0710.HK). He is an independent non-executive director of the Company since June 2019 to date. He previously served as the director of ABN AMRO Asia Corporate Finance Ltd., co-CEO and co-founder of Hong Kong MyRice.com, director of HSBC Investment Bank, chief investment officer of Shanghai Century Acquisition Corporation, assistant to chairman of United Energy Group Limited (0467.HK), chief financial officer of Trony Solar Holdings Company Limited (2468.HK, delisted), independent non-executive director of Directel Holdings Limited (8337.HK), independent non-executive director of China Kingstone Mining Holdings Limited (1380.HK), chief financial officer of China Smart Electric Group Limited\* (中國智能電氣集團有限公司), independent non-executive director of Weichai Power Co., Ltd. (2338.HK) and the chief executive officer of mReferral Corporation (HK) Limited.

### (II) Supervisors

Mr. 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 a director of Zhonghai Fund. He is the chairman of the Supervisory Committee of the Company since March 2017 to date. 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, and assistant to president and vice president of the Company.

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

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

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

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

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

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

### (III) Senior Management

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

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

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 and director of the research institute 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 joined Guolian Securities in June 2014, and previously served as the chief researcher and deputy director of the Guolian Securities Research Institute\* (國聯證券研究所).

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

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

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

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

Mr. Chen Xingjun (陳興君), born in 1981, Chinese nationality with no right of permanent residency abroad, holds a bachelor's degree in management and is an intermediate accountant. He is currently the chief risk officer of the Company. He previously served as a staff of the finance department of Guolian Group, manager of the financial department of Guolian Futures, general manager of the Financial and Accounting Department, financial officer, chief risk officer and chairman of the supervisory committee of the Company, assistant to general manager of the Financial and Accounting Department of Guolian Group, assistant to general manager of Guolian Finance Co., Ltd.\* (國聯財務有限責任公司), director of Wuxi Micro-nano Industry and Development Limited\* (無錫微納產業發展有限公司), director of Jiangsu Little Swan Group Co. Ltd.\* (江蘇小天鵝集團有限公司), director of Guolian Investment Management, supervisor of Wuxi Citizen Card Limited\* (無錫市民卡有限公司), chairman of the supervisory committee of Jiangsu Asset Management Co., Ltd.\* (江蘇資產管理有限公司), director of Jiangsu Taihu Digital Publishing Limited\* (江蘇太湖數字出版有限公司) and chief risk officer of Guolian Capital.

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

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

#### (I) Staff

Items	Number of Staff
Number of employees in parent company	1,542
Number of employees in major subsidiaries	345
Total number of employees	1,887
Number of retired employees whose parent company and major subsidiaries undertake the expenses	66

Professional Category	Professional Structure	Number of Staff
Brokerage business		1,068
Investment banking business		345
Assets management business		80
Securities investment business		13
Fixed income business		17
Equity derivatives business		18
Credit transactions business		15
Research		17
Institutional sales business		27
Operation, custody and liquidation		36
Risk control		16
Compliance, legal and audit		31
Information technology		112
Planning and finance		50
Administration		39
Others		3
Total		1,887



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

Education Level Category	Education standard	Number of Staff (Headcount)
Doctoral Degree		11
Master's Degree		695
Bachelor's Degree		1,094
College Degree or below		87
Total		1,887

### (II) Staff Remuneration

Please refer to Section 9 “II, Social and Governance Report” of this report for details.

## Section 8 Corporate Governance Report

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

### I. Corporate Governance Overview

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

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

During the Reporting Period, the Company convened the first extraordinary general meeting for the year 2020, the 2019 annual General Meeting, the first class meeting for domestic shareholders for the year 2020, the first class meeting for H shareholders for the year 2020, the second extraordinary general meeting for the year 2020, ten Board meetings and five Supervisory Committee meetings.

#### (I) General Meetings

##### 1. The First Extraordinary General Meeting for the Year 2020

The first extraordinary general meeting for the year 2020 was convened on 17 January 2020, which considered and approved the followings: Resolution on the Amendments to the Articles of Association (《關於修訂公司章程的議案》), Resolution on the Estimated Ordinary Related Party Transactions of the Company for the Year 2020 (《關於預計公司2020年度日常關聯交易的議案》), Resolution on the Authorization for Debt Financing (《關於開展債務融資工作授權的議案》).

## Section 8 Corporate Governance Report

### 2. The 2019 Annual General Meeting

The 2019 annual General Meeting was convened on 10 June 2020, which considered and approved the followings: Report of the Board of Guolian Securities for the Year 2019 (《國聯證券2019年度董事會報告》), Report of the Supervisory Committee of Guolian Securities for the Year 2019 (《國聯證券2019年度監事會報告》), Annual Report of Guolian Securities for the Year 2019 (《國聯證券2019年年度報告》), Final Accounts Report of Guolian Securities for the Year 2019 (《國聯證券2019年度財務決算報告》), Profit Distribution Plan of Guolian Securities for the Year 2019 (《國聯證券2019年度利潤分配方案》), Remuneration Plan of Directors of Guolian Securities for the Year 2019 (《國聯證券2019年度董事薪酬方案》), Remuneration Plan of Supervisors of Guolian Securities for the Year 2019 (《國聯證券2019年度監事薪酬方案》), Resolution on the Re-appointment of Audit Institutions of the Company for the Year 2020 (《關於續聘公司2020年度審計機構的議案》), Resolution on the Securities Proprietary Business Scale for the Year 2020 (《2020年度證券自營業務規模》), Extension of the Validity Period of the General Meeting Resolutions relating to the Initial Public Offering and Listing of A Shares (《延長首次公開發行A股股票並上市的股東大會決議有效期》), Extension of the Validity Period of Authorisations Granted to the Board by the General Meeting to Deal with Matters relating to the Initial Public Offering and Listing of A Shares (《延長股東大會對董事會辦理首次公開發行A股股票並上市相關事宜的授權有效期》), Duty Report of the Independent Non-executive Directors of Guolian Securities for the Year 2019 (Non-voting matters) (《國聯證券2019年度獨立非執行董事述職報告》(非表決項)).

### 3. The First Class Meeting for Domestic Shareholders for the Year 2020

The first class meeting for domestic shareholders for the year 2020 was convened on 10 June 2020, which considered and approved the followings: Extension of the Validity Period of the General Meeting Resolutions relating to the Initial Public Offering and Listing of A Shares (《延長首次公開發行A股股票並上市的股東大會決議有效期》), Extension of the Validity Period of Authorisations Granted to the Board by the General Meeting to Deal with Matters relating to the Initial Public Offering and Listing of A Shares (《延長股東大會對董事會辦理首次公開發行A股股票並上市相關事宜的授權有效期》).

### 4. The First Class Meeting for H Shareholders for the Year 2020

The first class meeting for H shareholders for the year 2020 was convened on 10 June 2020, which considered and approved the followings: Extension of the Validity Period of the General Meeting Resolutions relating to the Initial Public Offering and Listing of A Shares (《延長首次公開發行A股股票並上市的股東大會決議有效期》), Extension of the Validity Period of Authorisations Granted to the Board by the General Meeting to Deal with Matters relating to the Initial Public Offering and Listing of A Shares (《延長股東大會對董事會辦理首次公開發行A股股票並上市相關事宜的授權有效期》).

## Section 8 Corporate Governance Report

### 5. The Second Extraordinary General Meeting for the Year 2020

The second extraordinary general meeting for the year 2020 was convened on 22 October 2020, which considered and approved the following: Resolution on Change of the Registered Capital and Amendments to the “Articles of Association” and its Attachments.

## (II) Board Meetings

### 1. The Fifth Meeting of the Fourth Session of the Board

The fifth meeting of the fourth session of the board was convened on 2 January 2020, which considered and approved the following: Resolution on Starting the Establishment of a Subsidiary in Hong Kong (《關於啟動設立香港子公司的議案》).

### 2. The Sixth Meeting of the Fourth Session of the Board

The sixth meeting of the fourth session of the Board was convened on 21 February 2020, which considered and approved the followings: Report of the Board of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度董事會工作報告》), Annual Report of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年年度報告》), Report of the President of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度總裁工作報告》), Final Accounts Report of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度財務決算報告》), Profit Distribution Proposal of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度利潤分配預案》), Resolution on the Re-appointment of Audit Institutions of the Company for the Year 2020 (《關於續聘公司2020年度審計機構的議案》), Internal Control Self-Assessment Report of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度內部控制的自我評價報告》), Assessment Report for the Compliance Director of the Board of Guolian Securities for the Year 2019 (《國聯證券董事會關於2019年度合規總監的考核報告》), Resolution on the Remuneration Distribution of Directors and Senior Management of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度董事、高管薪酬分配議案》), Resolution on the Risk Preference and Risk Tolerance of the Company for the Year 2020 (《關於公司2020年風險偏好及風險容忍度的議案》), Risk Management Report of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度風險管理報告》), Information Technology Management Report of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度信息技術管理工作報告》), Resolution on the Proposal for Considering the Special Audit Report on Major Related Party Transactions of the Company for the Year 2019 (《關於提請審議公司2019年度重大關聯交易專項審計報告的議案》), Resolution on Considering the Financial Statements of the Company for Recent Three Years (《關於審議公司最近三年財務報表的議案》), Resolution on Confirming the Connected Transactions of the Company for Recent Three Years (《關於確認公司最近三年關聯交易的議案》), Resolution on Considering the Explanation of Tax Payment for Major Tax Category of the Company (《關於審議公司關於主要稅種納稅情況的說明的議案》), Resolution on Considering the Non-

## Section 8 Corporate Governance Report

recurring Profit or Loss Items of the Company for Recent Three Years (《關於審議公司最近三年非經常性損益明細表的議案》), Resolution on Considering the Difference in Comparison and Explanation of the Original Financial Statements and the Reported Financial Statements for Recent Three Years of the Company (《關於審議公司關於最近三年原始財務報表與申報財務報表差異比較及說明的議案》), Resolution on Considering the Special Report in relation to the Use of Proceeds of the Company Raised Previously (《關於審議公司關於前次募集資金使用情況的專項報告的議案》), Resolution on Considering the Monitoring Statement of Risk Control Indicators as at 31 December 2019 of the Company (《關於審議公司2019年12月31日風險控制指標監管報表的議案》), Resolution on the Extension of the Validity Period of the General Meeting Resolutions relating to the Initial Public Offering and Listing of A Shares of the Company (《關於延長公司首次公開發行A股股票並上市的股東大會決議有效期的議案》), Resolution on the Extension of the Validity Period of Authorisations Granted to the Board by the General Meeting to Deal with Matters relating to the Initial Public Offering and Listing of A Shares (《關於延長股東大會對董事會辦理首次公開發行A股股票並上市具體事宜的授權有效期的議案》), Resolution on Applying for Independent Exercise of Equity Incentives and Exercise Financing Business of Listed Companies (《關於申請開展上市公司股權激勵自主行權及行權融資業務的議案》), Resolution on the Cancellation of the Securities Branch of Guilin Binjiang Road (《關於撤銷桂林濱江路證券營業部的議案》), Resolution on the Establishment of a Subsidiary in Zhejiang Province (《關於設立浙江分公司的議案》), Resolution on the Formulation of Relevant Systems for Corporate Information Disclosure (《關於制定公司信息披露相關制度的議案》), Resolution on Convening the Annual General Meeting and Class Meeting for the Year 2019 (《關於召開2019年年度股東大會及類別股東大會的議案》).

### 3. The Seventh Meeting of the Fourth Session of the Board

The seventh meeting of the fourth session of the Board was convened on 3 April 2020, which considered and approved the followings: Report on the Compliance Management of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度合規管理工作報告》), Report on Anti-Money Laundering of Guolian Securities for the Year 2019 (《國聯證券2019年度反洗錢工作報告》), Resolution on the Amendments to "Working Rules for President of Guolian Securities Co., Ltd." (《關於修訂〈國聯證券股份有限公司總裁工作細則〉的議案》).

### 4. The Eighth Meeting of the Fourth Session of the Board

The eighth meeting of the fourth session of the Board was convened on 29 May 2020, which considered and approved the followings: Resolution on the Establishment of a New Branch in Nantong (《關於在南通地區新設分公司的議案》), Resolution on Renaming and Adjustment of Duties of the Audit and Supervision Department (《關於審計監察部更名及職責調整的議案》), Resolution on the Amendments to "Basic Audit and Supervision System of Guolian Securities Co., Ltd." (《關於修訂〈國聯證券股份有限公司審計監察基本制度〉的議案》).

## Section 8 Corporate Governance Report

### 5. The Ninth Meeting of the Fourth Session of the Board

The ninth meeting of the fourth session of the Board was convened on 30 June 2020, which considered and approved the followings: Resolution on the Adjustment of the Initial Scale of Equity Incentive Exercising Financing Business of Listed Companies (《關於調整上市公司股權激勵行權融資業務初始規模的議案》), Resolution on the Establishment of New Securities Branches in Zhejiang Province and the Guangdong-Hong Kong-Macao Greater Bay Area (《關於在浙江省和粵港澳大灣區新設證券營業部的議案》), Resolution on Considering the Information Technology Plan (2020-2022) of the Company (《關於審議公司〈信息技術規劃(2020-2022)〉的議案》).

### 6. The Tenth Meeting of the Fourth Session of the Board

The tenth meeting of the fourth session of the Board was convened on 27 August 2020, which considered and approved the followings: 2020 Interim Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2020年半年度報告》), 2020 Interim Report on Compliance Management of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2020年中期合規管理工作報告》), 2020 Interim Report on Comprehensive Risk Management of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2020年中期全面風險管理報告》), Resolution on the Change of Compliance Director (《關於合規總監變更的議案》), Resolution on the Appointment of the Representative of Securities Affairs (《關於聘任證券事務代表的議案》), Resolution on the Change of the Registered Capital and Amendments to “Articles of Association” and its Attachments (《關於變更註冊資本及修訂〈公司章程〉及其附件的議案》), Regarding the Implementation of the “Guidance about Regulating Financial Institutions in the Asset Management Business” and the Rectification Plan for its Supporting Regulations (《關於落實〈關於規範金融機構資產管理業務的指導意見〉及其配套規定的整改方案》), Resolution on the Establishment of a Capital Operation Department (《關於設立資金運營部的議案》), Resolution on Convening the Second Extraordinary General Meeting for the Year 2020 (《關於召開2020年第二次臨時股東大會的議案》).

### 7. The Eleventh Meeting of the Fourth Session of the Board

The eleventh meeting of the fourth session of the Board was convened on 30 September 2020, which considered and approved the followings: Resolution on Targeted Poverty Alleviation Work in Pairing Assistance in 2020 (《關於2020年度結對幫扶精準扶貧工作的議案》), Resolution on the Cancellation of the Subei Branch (《關於撤銷蘇北分公司的議案》), Resolution on the Acquisition of 25% Equity in Zhonghai Fund (《關於收購中海基金25%股權的議案》).

## Section 8 Corporate Governance Report

### 8. The Twelfth Meeting of the Fourth Session of the Board

The twelfth meeting of the fourth session of the Board was convened on 28 October 2020, which considered and approved the followings: 2020 Third Quarter Report of of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2020年第三季度報告》), Resolution on the Cancellation of 3 Securities Branches (《關於撤銷3家證券營業部的議案》).

### 9. The Thirteenth Meeting of the Fourth Session of the Board

The thirteenth meeting of the fourth session of the Board was convened on 27 November 2020, which considered and approved the followings: Resolution on the Agreement to appoint Hua Ying Securities as Lead Underwriter for the Public Issuance of Corporate Bonds of Guolian Group in 2020 (《關於同意華英證券擔任國聯集團2020年公開發行公司債券牽頭主承銷商的議案》), Resolution on Continuing to Carry out Targeted Poverty Alleviation Charity Donations (《關於繼續開展精準扶貧公益捐款的議案》), Resolution on the Establishment of New Securities Branches in Shantou and Other Locations (《關於在汕頭市等地新設證券營業部的議案》).

### 10. The Fourteenth Meeting of the Fourth Session of the Board

The fourteenth meeting of the fourth session of the Board was convened on 18 December 2020, which considered and approved the followings: Resolution on Amendments to the “Articles of Association” and its Attachments (《關於修訂〈公司章程〉及其附件的議案》), Resolution on Entering into Framework Agreement of Continuing Connected Transactions with Guolian Group and the Determination of the Annual Cap (《關於與國聯集團簽署持續性關連交易框架協議並確定年度上限的議案》), Resolution on Convening the First Extraordinary General Meeting for the Year 2021 (《關於召開2021年第一次臨時股東大會的議案》).

## Section 8 Corporate Governance Report

### (III) Supervisory Committee Meetings

#### 1. The Third Meeting of the Fourth Session of the Supervisory Committee

The third meeting of the fourth session of the Supervisory Committee was convened on 21 February 2020, which considered and approved the followings: Annual Report of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年年度報告》), Profit Distribution Proposal of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度利潤分配預案》), Internal Control Self-Assessment Report of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度內部控制的自我評價報告》), Risk Management Report of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度風險管理報告》), Report of the Supervisory Committee of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度監事會工作報告》), Resolution on the Remuneration Distribution of Supervisors of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度監事薪酬分配議案》), Resolution on the Proposal for Considering the Special Audit Report on Major Related Party Transactions of the Company for the Year 2019 (《關於提請審議公司2019年度重大關聯交易專項審計報告的議案》).

#### 2. The Fourth Meeting of the Fourth Session of the Supervisory Committee

The fourth meeting of the fourth session of the Supervisory Committee was convened on 3 April 2020, which considered and approved the followings: Report on Compliance Management of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度合規管理工作報告》), Report on Anti-Money Laundering of Guolian Securities Co., Ltd. for the Year 2019 (《國聯證券股份有限公司2019年度反洗錢工作報告》).

#### 3. The Fifth Meeting of the Fourth Session of the Supervisory Committee

The fifth meeting of the fourth session of the Supervisory Committee was convened on 27 August 2020, which considered and approved the followings: 2020 Interim Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2020年半年度報告》), 2020 Interim Report on Compliance Management of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2020年中期合規管理工作報告》), 2020 Interim Report on Comprehensive Risk Management of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2020年中期全面風險管理報告》), Resolution on the Amendments to "the Rules and Procedures of the Supervisory Committee of Guolian Securities Co., Ltd." (《關於修訂〈國聯證券股份有限公司監事會議事規則〉的議案》).



## Section 8 Corporate Governance Report

### 4. The Sixth Meeting of the Fourth Session of the Supervisory Committee

The sixth meeting of the fourth session of the Supervisory Committee was convened on 28 October 2020, which considered and approved the following: 2020 Third Quarterly Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2020年第三季度報告》).

### 5. The Seventh Meeting of the Fourth Session of the Supervisory Committee

The seventh meeting of the fourth session of the Supervisory Committee was convened on 18 December 2020, which considered and approved the following: Resolution on the Amendments to “the Rules and Procedures of the Supervisory Committee of Guolian Securities Co., Ltd.” (《關於修訂〈國聯證券股份有限公司監事會議事規則〉的議案》).

### III. Board of Directors

#### Composition of the Board

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

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

#### (I) Chairman and President

As at the end of the Reporting Period, the positions of the chairman and president of the Company are held by different persons, so as to ensure the independence of their duties and balance of authorization. The non-executive Director, Mr. Yao Zhiyong served as the chairman of the Board and the executive Director, Mr. Ge Xiaobo served as the president. Their duties and authorities are clearly divided and specified in the Articles of Association.

The chairman of the Board is the legal representative of the Company. The chairman, Mr. Yao Zhiyong, leads the Board in determining the Company's development strategy to ensure the effective operation and fulfillment of duties of the Board, and fully discusses the issues within the scope of the Board's duties, so as to ensure that the Directors can receive true, accurate, complete and timely information for making decisions. The chairman of the Board shall ensure that the Company can comply with well-established corporate governance procedures and the decisions of the Board are in the best interest of the Company and its shareholders as a whole. During the Reporting Period, Mr. Ge Xiaobo, the president, manages the business operations of the Company, organizes the execution of the Board's resolutions, and reports relevant work to the Board.

## Section 8 Corporate Governance Report

### (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 13 June 2019, or the date on which such qualification was approved by CSRC (whichever is later) and will end till the expiration of term of the fourth session of the Board.

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

### (III) Relationship Between Board Members

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

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

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

## 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 deputy 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.

## 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							
	Board	Board Attendance	Audit Committee	Remuneration and Nomination Committee	Risk Control Committee	Strategy Committee	General Meetings	General Meetings Attendance
<i>Executive Director</i>								
Ge Xiaobo	10/10	100%	N/A	N/A	N/A	3/3	5/5	100%
<i>Non-executive Directors</i>								
Yao Zhiyong	10/10	100%	N/A	N/A	4/4	3/3	5/5	100%
Hua Weirong	10/10	100%	N/A	3/3	4/4	3/3	5/5	100%
Zhou Weiping	10/10	100%	N/A	N/A	3/4	3/3	4/5	80%
Liu Hailin	10/10	100%	N/A	N/A	4/4	N/A	5/5	100%
Zhang Weigang	10/10	100%	N/A	N/A	N/A	N/A	2/5	40%
<i>Independent Non-executive Directors</i>								
Lu Yuanzhu	10/10	100%	5/5	3/3	N/A	N/A	5/5	100%
Wu Xingyu	10/10	100%	5/5	3/3	4/4	N/A	5/5	100%
Chu, Howard Ho Hwa	10/10	100%	5/5	N/A	N/A	3/3	4/5	80%

- Notes:
1. Mr. Yao Zhiyong is the chairman of the Board who is also the chairman of the Strategy Committee and Risk Control Committee.
  2. Mr. Lu Yuanzhu is the chairman of the Remuneration and Nomination Committee.
  3. Mr. Wu Xingyu is the chairman of the Audit Committee.

#### 2. Directors' Voting

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

## 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.

As at the end of the Reporting Period, the chairman of the Board also held one meeting with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of Executive Director.

#### **(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 A.6.5 of the CG Code in relation to the training of Directors. During the Reporting Period, Mr. Ge Xiaobo, Mr. Yao Zhiyong, Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin, Mr. Zhang Weigang, Mr. Lu Yuanzhu, Mr. Chu, Howard Ho Hwa and Mr. Wu Xingyu attended the guided training under the compliance operation of listed companies and responsibilities of directors.

## 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.

### 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
Jiang Zhiqiang	5	5
Ren Jun	5	5
Zhou Weixing	5	5
Shen Ying	5	5
Yu Lei	5	5

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

### V. Board Committees

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

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

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



## Section 8 Corporate Governance Report

### (I) Audit Committee

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

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

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

During the Reporting Period, the Audit Committee convened a total of 5 meetings. The Audit Committee mainly discussed and made recommendations to the Board in relation to the Company’s financial reports, the engagement of audit institution, approval of connected transactions, and monitoring of internal control. At the same time, the Audit Committee also performed its duty on reviewing the 2020 annual results and performed other responsibilities as set out in the Corporate Governance Code.

## Section 8 Corporate Governance Report

### (II) Remuneration and Nomination Committee

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

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

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

## Section 8 Corporate Governance Report

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

### (III) Strategy Committee

During the Reporting Period, the Strategy Committee comprises five Directors, namely Mr. Ge Xiaobo, being an executive Director, Mr. Yao Zhiyong (Chairman), Mr. Hua Weirong and Mr. Zhou Weiping, being non-executive Directors, and Mr. Chu, Howard Ho Hwa, being an independent non-executive Director.

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

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

## 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 strategic planning and layout of the Company.

### (IV) Risk Control Committee

The Risk Control Committee comprises five Directors, namely Mr. Yao Zhiyong (Chairman), 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.

## Section 8 Corporate Governance Report

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

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

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

### VII. Remuneration of Senior Management

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

### VIII. Risk Management and Internal Control

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

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

## 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 securities investment 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. At the same time, the Company has set up an independent Auditing Department, which are delegated as the regular department of the Company for anti-fraudulent works.

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

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

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

## 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 Procedure of General Meeting to ensure the compliance of the convening and holding of General Meetings. The Company explicitly specifies shareholders' rights in the Articles of Association to ensure the rights of shareholders, especially the right to be informed of the minority shareholders. The Company treats all shareholders impartially.

There are persons specially designated for contacting with Shareholders. The Company attaches great importance to their opinions and suggestions and tries to meet their reasonable requests in time. The Company sets up "Investor Relations" column on its website [www.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 Provision E.1.2 of CG Code, chairman and chairperson of the Audit Committee, Remuneration and Nomination Committee, and other committees of the Board shall attend annual General Meeting and answer questions at the meeting. The management of the Company shall ensure External Auditors to attend annual General Meeting and answer relevant questions put forward by Shareholders.

### X. Shareholders' Rights

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

## Section 8 Corporate Governance Report

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

Pursuant to the procedures set out in Article 8.08 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 8.22 “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, two rounds of amendments to the Articles of Association were made and were approved at the General Meeting held on 17 January 2020 and 22 October 2020 respectively. Details of the amendments to the Articles of Associations are stated in the circular published on the websites of the Company and Stock Exchange on 3 December 2019 and 7 September 2020.

### XII. Investor Relationship

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

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

### XIII. Company Secretary

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

### XIV. Board Diversity Policy

The Company has adopted the Board diversity policy according to provisions of the CG Code. The Company's Board diversity policy can be summarized as follows: the Company recognizes the importance of Board diversity to corporate governance and the Board's effectiveness. The Board diversity policy established by the Company is to set out the basic principles to be followed to ensure that the members of the Board have the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effective operation of the Board and to maintain high standards of corporate governance. The nomination and appointments of members of the Board will continue to be made on a merit basis based on the Company's daily business needs from time to time while taking into account the benefits of Board member 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.

## Section 8 Corporate Governance Report

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

Indicators	Unit	2020
By age group:		
50 or below	Employees	5
51-55	Employees	2
56-60	Employees	2
By types of directors:		
Executive Directors	Employees	1
Non-executive Directors	Employees	5
Independent Non-executive Directors	Employees	3

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

### XV. Responsibilities of Directors Concerning Financial Statements

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

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

### XVI. Audit Committee

The Audit Committee of the Board of the Company has reviewed the annual results of the Company and the Group for the year 2020, as well as the audited consolidated financial statements for 2020 prepared in accordance with IFRS.

## Section 8 Corporate Governance Report

### XVII. Auditor's Independence and Remuneration

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

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

Service rendered	Fees paid/payable (in RMB ten thousand)
Audit services	9.5
Non-audit services	28.0
Review of the Interim Financial Report	3.5

### XVIII. Other Matters

#### (I) Internal Control

##### 1. Responsibility Statement on Internal Control

It is the responsibility of the Board of the Company to establish a comprehensive and effectively implemented internal control, evaluate its effectiveness, and truthfully disclose the internal control evaluation reports in accordance with the requirements of the enterprise internal control regulated system. The Board, Supervisory Committee and Directors, Supervisors and senior management of the Company warrants that the contents in this 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.

## Section 8 Corporate Governance 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, Listing Rules 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 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 and Risk Management Department, and Audit Department.

### 3. Conclusion of Internal Control Evaluation and Opinions of Internal Control Auditing Report

According to the provisions of the Fundamental Norms on Enterprise Internal Control and its supporting guidance as well as the requirements of other relevant laws and regulations, the Company conducted self-evaluation regarding the effectiveness of internal control design and operation of the Company as at 31 December 2020.

## Section 8 Corporate Governance Report

The Company puts great importance on the construction and improvement of internal control system and regards the internal control management and compliance culture as an important element of corporate development strategy. The Company sets up a more regulated corporate governance structure which formed an internal control system with clear responsibilities and duties, with check and balance. The Company established and perfected a more integrated internal control system in which different control measures have covered different segments such as prior prevention beforehand, supervision when incident occurred and post examination on each business, and established a more comprehensive compliance governance system. There is no material defect in the corporate internal control system, or exists any major deviation during the process of operation activities. The internal control system of the Company is effective as a whole which can effectively protect the legality and compliance of corporate operation management and assets security to prevent the existence of major and significant defects. During the Reporting Period, there was no material internal control problems. The Company and its Directors, Supervisor and senior management were free from any administrative penalty by CSRC, SAC, stock exchange, Financial Futures Exchange and any public censure. The risk that may be caused by common defects is under control in which they will not result in any significant impact on the quality of corporate operation management activities and the achievements of financial targets, and we have conscientiously implemented the rectification. There was no major change on internal control that would make substantial impact on the evaluation conclusion from the date of corporate internal control report to the date of publishing the internal control evaluation report.

The Company noticed that internal control should follow and adapt to the operation scale, business scope, competition situation and risk level of the Company with timely adjustment as the conditions change. The Company will continue to improve the internal control system, regulate the enforcement of internal control system and enhance the supervision and inspection on internal control for the purpose of facilitating the healthy and sustainable development of the Company.

The audit opinion on the internal control of the Company in 2020 issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP was: “we are of the opinion that, in accordance with the Fundamental Norms on Enterprise Internal Control and related requirements, Guolian Securities had maintained an effective internal control on the financial report in all major respects as at 31 December 2020”.

### (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.

## Section 8 Corporate Governance Report

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

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

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

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

## Section 8 Corporate Governance Report

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

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

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

## Section 8 Corporate Governance Report

### 2. Compliance inspection

The Compliance and Legal Department organized compliance inspection on operation department and branches in accordance with supervision requirements and inspection plans. In 2020, the Compliance and Legal Department conducted on-site compliance inspection on Wealth Management Headquarters, Asset Management Department, Fixed Income Department, Equity Derivatives Business Department, Wuxi New District Changjiang North Road Securities Branch, Yixing Renmin South Road Securities Branch, Changzhou Wuyi Middle Road Securities Branch, Danyang Jinling West Road Securities Branch, Guangzhou Binjiang East Road Securities Branch and Hua Ying Securities. It implemented special inspection on the compliance management work of the suitability management of the Wealth Management Headquarters, the information disclosure and suitability management of the Asset Management Department, stock pledge business and fund investment advisory business and other businesses. Comments or suggestions regarding the problems spotted during inspection were put forward by the Compliance and Legal Department, which required the inspection department to conduct proactive rectification and give feedback and implement subsequent follow up works.

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

### (III) Working Information of Auditing Department

The objective of the Auditing Department is to perfect corporate internal control, facilitate continuous regulated development, ensure the legality and compliance of operation of the Company and to prevent risks, actively organizes and conducts different auditing works according to annual audit and supervision work plan. During the Reporting Period, the Company completed 69 auditing reports under different aspects, of which, 43 were resignation audit reports, 16 were mandatory off-duty audit reports and 10 were special project inspection. The audit projects covered brokerage business, credit transactions, financial management, compliance management, internal control and personal management etc. Through organizing on-site audits, they can objectively reflect the conditions of implementing national laws and regulations, industry standards and corporate system of the auditee and also the operation management conditions. Regarding the problems and deficiencies discovered during audit, the department provides audit rectification measures and suggestions in time, and strives to urge the implementation of audit rectification issues, which thereby promotes and supports the regulated development of the different businesses of the Company.



## Section 9 Environmental, Social and Governance Report

### Environment

The Company is fully aware of its environmental responsibilities during the development process, abides by the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China and other laws and regulations, and practices the concept of sustainable development in its day-to-day activities. In addition, the Company also issued green financial bonds to effectively play the role of green financial bonds in accurately facilitating the development of green industries.

#### Low-carbon Operation

The Company has formulated "The Management Measures for Headquarters Office Area" and requires all departments and divisions to conform so as to improve energy utilization efficiency. The Company mainly utilizes electricity, limited natural gas and paper in its day-to-day business operations.

In 2020, the Company consumed 5,512.86 MWh of energy, of which electricity consumption accounted for 98% of the total. In 2020, in order to prevent and control the COVID-19 and avoid mass gathering and contact, the Company encouraged and provided multiple off-site processing channels such as remote office, online trading and teleconference, so as to reduce the number of on-site customers and lower the frequency of on-site business processing, thus reducing the consumption of electricity and natural gas. Therefore, as compared to 2019, energy consumption has been reduced by 17%, and total GHG emissions equivalents have been reduced by 16%.

In 2020, the Company consumed 10.31 tonnes of papers, representing an increase of 4% as compared to that of 2019, which was mainly due to the changes in the scope of the report in 2020, including the new establishment of the Company's Beijing Headquarter and Guolian HK.

	2017	2018	2019	2020
Total GHG emissions equivalents (tonnes)	4,968.65	4,837.59	4,529.06	3,825.02
Intensity of GHG emissions (tonnes/hm <sup>2</sup> )	619.93	602.33	523.54	450.29
Total energy used (MWh)	7,180.24	7,105.41	6,646.36	5,512.86
Intensity of energy used (MWh/hm <sup>2</sup> )	895.87	884.70	768.29	648.98
Paper usage volume (tonnes)	15.30	13.24	9.94	10.31

The Company advocates low-carbon office as usual and incorporates low-carbon concept into the Company's operation and management mechanism. During the Reporting Period, the Company mainly implemented six measures to ensure that energy-saving actions fully covers all aspects of operation.

## Section 9 Environmental, Social and Governance Report

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

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

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

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

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

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

## Section 9 Environmental, Social and Governance Report

### Emission Reduction

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

The Company pays attention to raising employees' awareness of water conservation, posting water conservation slogans, choosing water-saving taps, as well as conducting pressure testing for 24 hours after pipe laying to avoid wasting water caused by running, overflowing, dripping and leaking. In 2020, the Company consumed 21,913.41 tonnes of municipal water.

The non-hazardous wastes generated by the Company are mainly domestic wastes and construction wastes due to securities branches decoration. The domestic wastes are sorted by the property management company while the construction wastes are properly disposed of by the constructors to ensure no dump of garbage and reduce the impact on neighboring areas. In 2020, The Company produced 253.22 tonnes of non-hazardous wastes.

The only hazardous wastes that the Company produced are batteries, which are mainly ordinary dry cells and UPS batteries. The ordinary dry cells are recycled by the property management company while the expired UPS batteries which need to be replaced are specifically recycled by the vendors. In 2020, the Company produced 9.52 tonnes of hazardous wastes.

	2017	2018	2019	2020
Total water resource consumed (municipal water)(tonnes)	30,178.34	27,894.69	28,982.07	21,913.41
Intensity of water consumed (tonnes/hm <sup>2</sup> )	3,765.30	3,473.20	3,350.18	2,579.68
Total hazardous wastes produced (tonnes)	8.97	0.61	17.25	9.52
Intensity of hazardous wastes produced (tonnes/hm <sup>2</sup> )	1.12	0.08	1.99	1.12
Total non-hazardous wastes produced (tonnes)	660.08	480.94	303.15	253.22
Intensity of non-hazardous wastes produced (tonnes/hm <sup>2</sup> )	82.35	59.88	35.04	29.81

As compared to 2019, the water resource consumed in 2020 decreased by 24%, and the total non-hazardous wastes produced decreased by 16%, the main reason of which is the same as the aforementioned reduction in energy consumption, i.e. in order to prevent and control the COVID-19, the Company reduced the frequency of on-site business processing in 2020.

## Section 9 Environmental, Social and Governance Report

### Responding To Climate Change

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

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

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

### Green Finance

In active response to the national call for the development of green finance, the Company gives full play to the advantages of securities companies to facilitate the development of green finance.

During the Reporting Period, Hua Ying Securities, a subsidiary, as the joint lead underwriter, successfully completed the issuance of green corporate bonds of Wuhan Sanzhen Industry Holding Co., Ltd. in 2020. The bonds were the first green bonds issued by Hua Ying Securities and the first corporate bonds issued by a listed company in Hubei Province, which was also the first corporate bonds issued in the PRC that clearly specified in the approvals that proceeds could be used for expenditure related to epidemic prevention and control. The proceeds are mainly used for the sewage treatment project in Wuhan, which is an important livelihood project that can effectively improve the standard of urban municipal infrastructure, improve people's quality of life, and facilitate regional economic development.

## Section 9 Environmental, Social and Governance Report

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

Name of Indicator	Indicator unit	2017	2018	2019	2020
Total GHG emissions equivalents	Tonnes	4,968.65	4,837.59	4,529.06	3,825.02
GHG (Scope 1) emissions equivalents	Tonnes	32.02	36.39	45.18	20.15
GHG (Scope 2) emissions equivalents	Tonnes	4,936.63	4,801.20	4,483.88	3,804.87
Intensity of GHG emissions	Tonnes/hm <sup>2</sup>	619.93	602.33	523.54	450.29
Total waste air emissions	Tonnes	N/A	N/A	N/A	N/A
Total hazardous wastes produced	Tonnes	8.97	0.61	17.25	9.52
Intensity of hazardous wastes produced	Tonnes/hm <sup>2</sup>	1.12	0.08	1.99	1.12
Total non-hazardous wastes produced	Tonnes	660.08	480.94	303.15	253.22
Domestic wastes	Tonnes	339.08	330.26	281.65	243.22
Construction wastes	Tonnes	321.00	150.68	21.50	10.00
Intensity of non-hazardous wastes produced	Tonnes/hm <sup>2</sup>	82.35	59.88	35.04	29.81
Total water consumed (municipal water)	Tonnes	30,178.34	27,894.69	28,982.07	21,913.41
Intensity of water consumed	Tonnes/hm <sup>2</sup>	3,765.30	3,473.20	3,350.18	2,579.68
Total energy used	MWh	7,180.24	7,105.41	6,646.36	5,512.86
Electricity	MWh	7,023.59	6,927.39	6,425.34	5,414.31
Natural gas	MWh	156.65	178.02	221.02	98.55
Intensity of energy used	MWh/hm <sup>2</sup>	895.87	884.70	768.29	648.98
Paper consumed	Tonnes	15.30	13.24	9.94	10.31

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

## Section 9 Environmental, Social and Governance Report

### II. Society and Governance Report

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

#### (I) Employment

The Company always adheres to its human-oriented philosophy, strictly implements laws and regulations, which include the “Labour Law of the PRC” and “Labour Contract Law of the PRC”, builds and improves the human resource management system with the Company’s characteristics, formulates and strictly implements the rules and regulations related to job positions, ranking, salaries, incentives, benefits and holidays, so as to effectively protect the rights and interests of employees in salary payment, social insurance, health care and vacation, labor protection, and working environment.

##### **Remuneration and Welfare Policy**

The Company adheres to the market principles in determining its remuneration standards. Staff remuneration comprises fixed salary, performance-based incentives as well as social security and welfare. The Company established a position-based wage system based on ranks. The position ranking standard is determined based on factors such as the qualifications, capability, professional knowledge and experience of employees, business income and performance evaluation results. The salary standard of the position is determined according to market standard. The principle of “position-based salary, salary changes for position changes” is strictly followed when making adjustment to staff’s position-based salary. The performance-based award is set up to enable the Company and its staff to share the operating results and motivate staff to devote efforts for the continuous improvement of the economic benefits of the Company. Also, it is the award that is distributed after assessment based on department and staff duty performance requirements and their contributions made after taking into account the Company’s overall operating conditions and profits. The total annual bonus is drawn from the total profit at the ratio determined by the Board, and its distribution is based on performance and contribution, favouring the business departments that contribute most to the Company’s profit and employees with prominent merits while due consideration is also channeled to the middle-back end supportive departments. The Company established a comprehensive welfare protection system, provided employees with statutory social insurance and provident fund in strict compliance with the relevant provisions of state laws and regulations, supplemented by the enterprise group annuity insurance and mutual assistance for serious illness to provide employees with effective guarantee. The welfares of the Company also include paid holidays and regular physical examination.

## Section 9 Environmental, Social and Governance Report

### Dismissal, Recruitment and Promotion Policy

The Company continues to optimize human resources deployment by improving talent selection mechanism and recruitment process. In 2020, the Company vigorously promoted market-based recruitment, and recruited key talents and important business teams to facilitate the layout and transformation of key businesses, and the total number of staff recruited was 519 for the year. In addition, the Company optimized the deployment of its existing human resources, carried out extensive internal competition selection and position reassignment, implemented the principle of set positions for the sake of merit and meritocracy, encouraged achieving jobs through competition, and opened exit channels to stimulate the potential of staff and improve team vibrancy. The Wealth Management Headquarter, Asset Management Department, Operation Management Headquarter, Information Technology Headquarter and other departments have successively conducted in-depth organizational structure adjustments. Through reshaping the organizational structure, the Company integrated human resources to fully achieve organizational effectiveness.

The Company provided innovative campus recruitment, strengthened its brand promotion, and recruited a total of 127 fresh graduates for the year. The entire process adopted non-contact methods such as online presentation, online mutual selection, online written examination, video interview and remote contract signing to ensure the efficient, safe and smooth completion of recruitment. Through cross-space, cross-time, strong interaction, strong control of the Internet presentation form, the Company conveyed its cultural philosophy and hardware and software capabilities, and optimized the application experience. The Company collected a total of 9,200 resumes for campus recruitment in the fall season, with the number of collections increased by 3.8 times year-on-year.

The Company continues to carry out various internship activities, cooperates with local human resources service centre and higher learning institutions, organizes multiple scientific research practices, internship programs and internship camp to attract college students practicing their internships in the Company, a total of 424 trainees was recruited during the year.

The Company executes labour contracts with each employee and is in line with the principle of lawfulness, compliance, equality, voluntariness, unanimity, integrity and trustworthiness. The Company is in strict compliance with the state and local laws and regulations as well as the rules and regulations of the Company to handle the procedures regarding staff introduction and resignation and strives to build a harmonious labour relationship.

## Section 9 Environmental, Social and Governance Report

### **Working Hours and Holiday Policy**

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

### **Equality and Anti-discrimination Policy**

The Company formulates staff manual to define the rights and obligations of the Company and staff, protect the legal interests of both parties and establish complete, equal and impartial labour relationship. In strict compliance with the state's laws, regulations and policies relating to protection of female staff interests, the Company has organised physical examinations for female staff and all kinds of amateur cultural activities regularly to ensure female staffs are treated equally and their interests are protected. The Company enters into labor contracts with all employees in strict accordance with national laws and regulations, and contracts signing and renewal are subject to the examination and approval procedures of the Company.



## Section 9 Environmental, Social and Governance Report

### Diversified Policy

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

In 2020, the Company revised and improved more than ten systems and measures, including the Employee Manual of Guolian Securities Co., Ltd. (《國聯證券股份有限公司員工手冊》), Management Measures on the Performance Evaluation of Guolian Securities Co., Ltd. (《國聯證券股份有限公司績效考核管理辦法》), Management Measures on Recruitment of Guolian Securities Co., Ltd. (《國聯證券股份有限公司招聘管理辦法》), Management Measures on the Attendance and Leave of Guolian Securities Co., Ltd. (《國聯證券股份有限公司考勤與休假管理辦法》), Management Measures on Overtime of Guolian Securities Co., Ltd. (《國聯證券股份有限公司加班管理辦法》), and Management Measures on the Deferred Payment of Employee Income of Guolian Securities Co., Ltd. (《國聯證券股份有限公司員工收入遞延支付管理辦法》), and formulated the Management Measures for Reserve Talent Selection and Cultivation of Guolian Securities Co., Ltd. (《國聯證券股份有限公司後備人才選拔培養管理辦法》), to better play the role of the basic human resources management system by optimizing and improving the business module system, rules and procedures related to recruitment, assessment, remuneration and training. The Company constantly improved the effective cadre cultivation and development mechanism and improved the Company's selection and cultivation system of reserve talents for key positions by formulating reserve talent selection and cultivation methods and supporting evaluation plans; uphold the decent guidance on personnel placement to select a number of talents with high comprehensive quality into the management back-up of the Company through open recommendation, organize excursion and open job competition; vigorously introduced high-end and core talents through internal referrals so as to bolster the diversity of staff structures and provide intellectual support for corporate development.

## Section 9 Environmental, Social and Governance Report

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

Indicators	Unit	2020
<b>Total staff</b>	Employees	1,542
<b>Among which: (by work location)</b>		
Domestic	Employees	1,542
Overseas	Employees	0
<b>Among which: (by labour contract type)</b>		
Indefinite term	Employees	569
Fixed term	Employees	973
A term until completion of certain work	Employees	0
<b>Among which: (by age group)</b>		
29 or below	Employees	398
30-39	Employees	807
40-49	Employees	250
50-54	Employees	59
55 or above	Employees	28
<b>Among which: (by gender)</b>		
Male	Employees	830
Female	Employees	712
<b>New employees during the Reporting Period</b>	Employees	413
<b>Staff loss ratio during the year</b>	%	19.8%
<b>Among which: (by gender)</b>		
Male	%	11.2%
Female	%	8.6%
<b>Among which: (by age group)</b>		
29 or below	%	8.0%
30-39	%	9.2%
40-49	%	2.2%
50-54	%	0.3%
55 or above	%	0.1%
<b>Among which: (by work location)</b>		
Within Jiangsu Province	%	7.5%
Outside Jiangsu Province	%	12.3%

## Section 9 Environmental, Social and Governance Report

### (II) Health and Safety

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

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

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

## Section 9 Environmental, Social and Governance Report

### (III) Development and Training

To facilitate the constant improvement of the comprehensive qualities of the Company's staff and adapt to the needs of innovative development of the industry and personnel training and development, the Company attaches great importance to staff trainings and keeps on improving and optimizing its staff training system. Based on the business development requirements and departments training needs every year, the Human Resources Department of the Company has developed and carried out annual training programme in an orderly manner, achieving mutual growth of staff and the Company.

The first measure is to optimize and adjust the training focus: to enable the training resources be inclined to the front-line business departments to improve the business capabilities of employees according to the Company's strategic development goals; cooperate with the Wealth Management Headquarter to carry out training for new heads of branches to improve the comprehensive management capabilities; and to organize a series of investment advisory trainings to focus on improving the Company's investment advisory capabilities.

The second measure is to continue promoting online training: the professional quality, communication skills, marketing skills and management enhancement were promoted by the Company to all staffs in the form of E-Learning online training, providing staffs with more efficient and convenient learning channels. The Company checks and updates the online E courses in a timely manner to ensure the timeliness and guidance of the courses, organizes the production and uploading of 168 internal training courses; updates the online training courses for new staff induction, organizes new staff to complete online induction training and examinations on a monthly basis; and guides and organizes the various departments of the Company to use the online learning platform to conduct training, evaluation, research and examination, giving full play to the role of the online learning platform for remote training and management.

The third measure is to organize and implement various types of face-to-face training activities according to business development requirements, including: focus on the development of business lecture halls. During the year, the Company organized 38 business lecture hall activities covering 37 business topics, and the overall training rate and examination passe rate are both above 80%. The Company organized a two-week intensive face-to-face training for new staffs in 2020, including learning, review and examination for 45 internal business courses, and external tutor training, sand table simulation of professional quality, scenario rehearsals for customer marketing, and team integration and development, debate, project seminars, graduation reports, etc. the Company also actively cooperated with the corporate group to organize and complete 15 comprehensive financial training sessions, organized special training activities for various business lines such as civil code, compliance and risk control, auditing and manpower, and implemented the training and learning activities of all-staff online learning platform of corporate group, namely "Guolian College Securities Branch (國聯學院證券分院)".

## Section 9 Environmental, Social and Governance Report

During the Reporting Period, the Company carried out various methods of education trainings, such as face-to-face trainings, online study and external trainings, with a total of 61,267 employee-headcount who have participated in such trainings. During the Reporting Period, the statistics of the Company relating to training was summarized as follows:

### Summary of statistics of training performance

Indicators	Unit	2020
<b>Total training hours</b>	Hours	140,241
<b>Training hours of employees participating in trainings (by training content)</b>		
Online study	Hours	115,500
External trainings	Hours	1,317
Face-to-face trainings	Hours	23,424
<b>Average training hours per employee-headcount participating in training</b>	Hours	91

### Training status of employees participating in trainings by gender

Gender	Average training hours per employee (Hours)	Percentage (%)
Male	91.2	54
Female	90.6	46
Total	181.8	100

### Training status of employees participating in trainings by training participants

Training participants	Average training hours (Hours)	Number of trainees	Percentage (%)
Senior management	84.1	10	0.7
Middle management	90.7	133	8.6
Grass-roots staff	91.0	1,399	90.7
Total	270.9	1,542	100

## Section 9 Environmental, Social and Governance Report

### (IV) Labour Standard

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

### (V) Product Liability<sup>1</sup>

#### Service Quality

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

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

The Company stringently implemented the moderate management requirements of investors and established smooth customer communication and coordination mechanism and sound complaint system arrangement. During 2020, the Company received a total of 41 customer complaints, which were properly handled through timely coordination by wealth management headquarters and tracking service of branches. Customer satisfaction was continuously improving and interests of investors were sufficiently safeguarded.

#### Customer Privacy

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

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

## Section 9 Environmental, Social and Governance Report

### Investor Education

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

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

### (VI) Anti-corruption

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

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

## Section 9 Environmental, Social and Governance Report

The Company earnestly carries out disciplinary inspection business training to improve the ability of the disciplinary inspection team to perform their duties; integrates professional forces such as auditing, compliance and legal affairs, and strengthens the supervision and inspection of key areas and key links such as investment mergers and acquisitions, procurement bidding, operation management, etc., to provide escort for the honest operation of the Company.

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

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

Indicators	Unit	2020
<b>Number of corruption and bribery cases</b>	Cases	0
Number of employees punished for corruption and bribery	Employees	0
Times of anti-corruption and anti-money laundering education publicity	Times	3
Number of employees participating in anti-corruption and anti-money laundering education	Employees	11,886
Times of disciplinary inspection and supervision business training	Times	7
Number of employees participating in disciplinary inspection and supervision business training	Employees	216
Total hours of disciplinary inspection and supervision business training	Hours	375



## Section 9 Environmental, Social and Governance Report

### (VII) Community Investment

As a company listed in both the “A+H” markets with a vision of “becoming a respected investment bank”, the Company gives full play to its professional advantages together with its subsidiary Hua Ying Securities, highlights its corporate responsibility, actively carries out social welfare undertakings and employee care and support to facilitate the harmonious development of the enterprise and the society.

In 2020, in fighting against COVID-19, the Company, together with its subsidiary Hua Ying Securities, immediately donated RMB5.00 million to Wuxi Charity Federation, which was specially used for epidemic prevention and control in Hubei, Wuxi and impoverished counties under partner assistance. It also donated 10,000 medical surgical masks to the Red Cross Society in Wuxi to help fighting against the epidemic. Focusing on fighting against the epidemic through finance, Hua Ying Securities successfully issued 6 epidemic prevention and control bonds with a total size of RMB8.87 billion (including the underwriting of RMB2.976 billion by Hua Ying, and the amount of funds of approximately RMB1.635 billion was used for epidemic prevention and control), effectively providing financial support for epidemic prevention and control and resumption of work and production. The Company successively won the Prize for Outstanding Charity Contribution from Wuxi Charity Federation, and the honors of “Watching Out For And Helping Each Other To Overcome Difficulties Together” by Zhongnan Hospital of Wuhan University and Leishenshan Hospital in Wuhan.

## Section 9 Environmental, Social and Governance Report

In terms of promoting targeted poverty alleviation and facilitating poverty alleviation, the Company continued to focus on “poverty alleviation through finance” and “poverty alleviation through education” to propel the works. During the year, the Company continued to carry out special knowledge training sessions on STAR market for entrepreneurs in Susong County, Anhui Province, better promoting the expansion and enhancement of local enterprises by making use of the capital market. Hua Ying Securities launched 2 poverty alleviation bonds in Kai County, Chongqing, a national-level impoverished county, introducing RMB1.0 billion of financial “liquidity” to the impoverished county. The Company donated a love and care fund of RMB80,000 for the third consecutive year, helping 50 poverty-stricken students in Susong County register with files and cards. The Company purchased the “package” of rice and oil materials of RMB30,000 and donated to Hezhang Tianba Primary School (赫章田壩小學) and Poyang Dongqiao Primary School (鄱陽東橋小學). The Company donated RMB60,000 to establish the fourth and fifth “Care and Love Library (愛心書屋)” in Susong and Poyang, respectively, improving the living and learning environment and enlightening the wisdom of the spirit. After several mud-slides, there is instability of the slopes in Shuibuya Town, Badong County. Hua Ying Securities donated RMB50,000 to the Charity Federation of Badong County (巴東縣慈善總會), which was targeted for mud-slides relief work in Shuibuya Town, Badong County. It also purchased the “package” of rice and oil materials of RMB20,000 and donated to the victims. The Company commenced the public welfare activities of “Investment in Love Calendar for and Charities (愛的投資日曆)”, raising RMB91,000 through the sale of calendar in love for charities through the Zunbao APP and the official WeChat platform, and purchased and donated 1,300 new schoolbags, bringing care and warmth to the children of Hezhang Tianba Primary School (赫章田壩小學). In addition, the Company actively participated in the “rural revitalization” activity jointly deployed and promoted by eight departments including the Organization Department of the Provincial Party Committee, the Office of Agriculture of the Provincial Party Committee, and the Provincial Agricultural and Rural Affairs Office, and implemented the village-enterprise construction project with Dongfangqiao Village (東房橋村), a sluggish economic village in Wuxi. An amount of RMB500,000 funded by the project was used to purchase agricultural by-products, clothing and other materials from village-administered enterprises, and donated to the impoverished areas under partner assistance of the Company, providing care to the impoverished regions, increasing the village’s collective income, and making a certain contribution to stable employment of villagers.

## Section 9 Environmental, Social and Governance Report

In terms of investor education and protection, focusing on the popularization and promotion of the new Securities Law, the Company produced a variety of original investment education works, and expanded online channels such as websites, official accounts, and columns, with a number of works selected and published by the Securities Association of China and the Provincial Securities Association. The Company organized the “5.15” online exhibition on investor protection, with more than 110,000 online visitors, and undertook two online live broadcasts of Wuxi lecture hall seminars of “Integrated Financial Talents in Yangtze River Delta Region”, with nearly 20,000 participants. The Company actively organized and participated in “Dada Xingqiu (答答星球)” of Shanghai Stock Exchange and the knowledge contest on new Securities Law jointly launched by Jiangsu Securities Industry Association and Sina.com. The Company organized the college financial management master competition of Guolian Securities Find “Future Financier”, attracting nearly 10,000 college students across the country to participate, which made social influence to a certain extent. The Company organized a series of activities of “Together with the STAR Market for rational growth” with the Shanghai Stock Exchange and local branches to further promote investor education on the STAR Market. The Company has successively won the “Outstanding Organization Award (傑出組織獎)” in the knowledge contest on new Securities Law of the Shanghai Stock Exchange, “Excellent Organization Award (優秀組織獎)” in the knowledge contest on STAR Market of Shanghai Stock Exchange, “2020 Pioneer Securities Brokers in terms of Investor Education (2020投資者教育先鋒券商)” by International Financial News, “Advanced Enterprise in terms of Investor Education (投資者教育工作先進單位)” by Securities Association of Jiangsu and other honors.

For employee caring, the Company continued to offer marriage, childbirth and hospitalization allowances for employees, with an annual expenditure of more than RMB150,000 and visiting more than 100 people. The Company actively organized various cultural and sports activities such as basketball, soccer and badminton at the headquarters and branches, with an annual expenditure of more than RMB480,000. The Company purchased movie tickets, garden cards, birthday gifts for all employees to enrich the cultural life of employees after work, spending more than RMB960,000 annually. The Company purchased accident insurance and major disease insurance for all employees to address the concerns of employees, with an annual expenditure of more than RMB670,000. It also actively assisted employees in need, and a total of 16 employees in need received subsidies throughout the year, with a cumulative amount of RMB158,800, helping them to relieve life pressure effectively.

# 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 169 to 306, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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.

## 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 key judgement exercised by the management of the Group in assessing and concluding whether the Group controls the structured entities.

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

The Group held interests as investor 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 57, whilst the carrying amount of the Company's investments in consolidated structured entities was presented in Note 59.

### How our audit addressed the key audit matter

Our procedures in relation to this key audit matter included:

- Testing and evaluating the management's key controls in determining the consolidation scope of the structured entities;
- Examining, on a sample basis, the documents and information used by the management in assessing the consolidation criteria of significant structured entities against the related agreements and other related service agreements of structured entities newly established, invested or with changes in the proportion of ownership interests or contractual terms during the year;
- Assessing management judgement in determining the scope of consolidation and, on a sample basis, assessing the conclusion about whether a structured entity should be consolidated or not.

## Independent Auditor's Report

### Key audit matter

### How our audit addressed the key audit matter

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

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

Significant judgements by the Group in ECL measurement includes assessing whether the credit risk of an asset has significantly increased and whether an asset is credit-impaired, using appropriate models and assumptions, determining the key inputs including probability of default (PD), loss given default (LGD), exposure at default (EAD) and forward-looking information.

As at 31 December 2020, the Group held margin accounts receivable of RMB8,420,779 thousands, less impairment allowance of RMB7,713 thousands as disclosed in Note 33 and equity securities held under resale agreements of RMB1,880,510 thousands, less impairment allowance of RMB175,589 thousands as disclosed in Note 26.

Our procedures in relation to this key audit matter included:

- Testing and evaluating the management's key controls over the measurement of ECL;
- Evaluating the appropriateness of the ECL model, the critical assumptions and parameters used in the model, in particular, PD, LGD and forward-looking information;
- Evaluating the determination of the criteria for significant increase in credit risk and credit impaired by management;
- Selecting samples on the credit review performed by the Group and reviewing the parameters and judgement made by the management including the stages of the financial assets, PD and LGD, the expected future cash flow, financial condition of counterparties and guarantors, and the realisation of collateral held, as appropriate;
- Checking the calculation process of the 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 of the Company 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 of the Company.
- 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 Ma Hing Fai.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

18 March 2021

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue			
– Commission and fee income	6	1,107,418	832,901
– Interest income under effective interest method	7	891,156	863,806
Net investment gains	8	678,863	421,132
Other income	9	4,586	5,732
<b>Total revenue, net investment gains and other income</b>		<b>2,682,023</b>	2,123,571
Commission and fee expenses	10	(231,933)	(159,151)
Interest expenses	11	(585,534)	(366,433)
Staff costs	12	(700,439)	(645,354)
Depreciation and amortization	13	(159,794)	(140,467)
Other operating expenses	14	(215,177)	(158,483)
Impairment losses under expected credit loss model, net of reversal	15	(12,212)	12,436
<b>Total expenses</b>		<b>(1,905,089)</b>	(1,457,452)
Share of results of associates		702	6,599
Other gains, net	16	10,286	13,767
<b>Profit before income tax</b>		<b>787,922</b>	686,485
Income tax expense	17	(200,051)	(165,142)
<b>Profit for the year</b>		<b>587,871</b>	521,343
Attributable to:			
Shareholders of the Company		587,871	521,343
		<b>587,871</b>	521,343
<b>Earnings per share (Expressed in RMB per share)</b>			
– Basic	18	0.28	0.27

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
<b>Profit for the year</b>	<b>587,871</b>	521,343
<b>Other comprehensive income/(expense)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(21,351)	-
Fair value loss on:		
– debt instruments measured at fair value through other comprehensive income	(631)	-
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss	5,126	-
Income tax relating to items that may be reclassified subsequently	(1,123)	-
<b>Other comprehensive expense for the year, net of tax</b>	<b>(17,979)</b>	-
<b>Total comprehensive income for the year</b>	<b>569,892</b>	521,343
Attributable to:		
Shareholders of the Company	569,892	521,343

# Consolidated Statement of Financial Position

As at 31 December 2020

	NOTES	2020/12/31 RMB'000	2019/12/31 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	20	88,752	88,137
Right-of-use assets	21	177,560	171,929
Intangible assets	22	59,145	50,297
Interests in associates	24	104,903	104,201
Other non-current assets	25	326,479	42,232
Financial assets held under resale agreements	26	24,838	412,630
Financial assets at fair value through profit or loss	27	322,828	117,543
Derivative financial assets	28	18,425	–
Debt instruments at fair value through other comprehensive income	29	1,678,037	–
Deferred income tax assets	30	36,960	38,149
Refundable deposits	31	236,637	64,634
<b>Total non-current assets</b>		<b>3,074,564</b>	1,089,752
<b>Current assets</b>			
Other current assets	32	696,167	166,045
Margin accounts receivable	33	8,413,066	4,638,397
Financial assets held under resale agreements	26	4,102,681	3,014,297
Financial assets at fair value through profit or loss	27	16,632,263	8,105,403
Derivative financial assets	28	59,220	–
Clearing settlement funds	34	2,511,606	2,100,538
Cash held for brokerage clients	35	7,449,016	6,547,713
Cash and bank balances	36	3,281,366	2,757,258
<b>Total current assets</b>		<b>43,145,385</b>	27,329,651
<b>Total assets</b>		<b>46,219,949</b>	28,419,403
<b>Equity and liabilities</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	37	2,378,119	1,902,400
Share premium	38	3,659,711	2,178,478
Reserves	38	2,061,633	1,907,669
Retained earnings		2,494,707	2,078,779
<b>Total equity attributable to shareholders of the Company</b>		<b>10,594,170</b>	8,067,326

# Consolidated Statement of Financial Position

As at 31 December 2020

	NOTES	2020/12/31 RMB'000	2019/12/31 RMB'000
<b>Total equity</b>		<b>10,594,170</b>	8,067,326
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bonds in issue	39	7,300,000	2,300,000
Other non-current liabilities	40	352,892	–
Lease liabilities	41	118,079	107,925
Derivative financial liabilities	28	21,601	–
Financial liabilities at fair value through profit or loss	47	71,994	–
Deferred income tax liabilities	30	–	1,163
<b>Total non-current liabilities</b>		<b>7,864,566</b>	2,409,088
<b>Current liabilities</b>			
Other current liabilities	42	1,928,847	526,667
Current income tax liabilities		28,497	6,953
Bonds in issue	39	6,479,759	4,155,028
Lease liabilities	41	57,564	64,725
Contract liabilities	44	9,312	3,544
Due to other financial institutions	45	300,070	200,285
Derivative financial liabilities	28	94,983	–
Financial assets sold under repurchase agreements	46	8,707,695	3,692,992
Financial liabilities at fair value through profit or loss	47	827,288	1,080,462
Accounts payable to brokerage clients	48	9,327,198	8,212,333
<b>Total current liabilities</b>		<b>27,761,213</b>	17,942,989
<b>Total liabilities</b>		<b>35,625,779</b>	20,352,077
<b>Total equity and liabilities</b>		<b>46,219,949</b>	28,419,403

The consolidated financial statements on pages 169 to 306 were approved and authorised for issue by the Board of Directors on 18 March 2021 and signed on behalf by:

**Yao Zhiyong**

*Chairman of the Board and non-Executive Director*

**Ge Xiaobo**

*Executive Director and President*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to shareholders of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Retained earnings RMB'000	Subtotal RMB'000		
<b>Balance at 31 December 2019</b>	<b>1,902,400</b>	<b>2,178,478</b>	<b>1,907,669</b>	<b>2,078,779</b>	<b>8,067,326</b>	-	<b>8,067,326</b>
Profit for the year	-	-	-	587,871	587,871	-	587,871
Other comprehensive income for the year	-	-	(17,979)	-	(17,979)	-	(17,979)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(17,979)</b>	<b>587,871</b>	<b>569,892</b>	<b>-</b>	<b>569,892</b>
Appropriation to reserves	-	-	171,943	(171,943)	-	-	-
Issue of shares	475,719	1,481,233	-	-	1,956,952	-	1,956,952
<b>Balance at 31 December 2020</b>	<b>2,378,119</b>	<b>3,659,711</b>	<b>2,061,633</b>	<b>2,494,707</b>	<b>10,594,170</b>	<b>-</b>	<b>10,594,170</b>
<b>Balance at 1 January 2019</b>	<b>1,902,400</b>	<b>2,178,478</b>	<b>1,760,002</b>	<b>1,800,223</b>	<b>7,641,103</b>	<b>-</b>	<b>7,641,103</b>
Profit for the year	-	-	-	521,343	521,343	-	521,343
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>521,343</b>	<b>521,343</b>	<b>-</b>	<b>521,343</b>
Dividends recognized as distribution	-	-	-	(95,120)	(95,120)	-	(95,120)
Appropriation to reserves	-	-	147,667	(147,667)	-	-	-
<b>Balance at 31 December 2019</b>	<b>1,902,400</b>	<b>2,178,478</b>	<b>1,907,669</b>	<b>2,078,779</b>	<b>8,067,326</b>	<b>-</b>	<b>8,067,326</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax	787,922	686,485
Adjustments for:		
Depreciation and amortisation	159,794	140,467
Impairment losses under expected credit loss model, net of reversal	12,212	(12,436)
Net gains on disposal of property and equipment and intangible assets	(320)	(187)
Unrealised fair value change of financial instruments at fair value through profit or loss	(87,275)	(212,503)
Foreign exchange gains	(3,848)	(6,044)
Share profit of associates	(702)	(6,599)
Interest income from debt instruments at fair value through other comprehensive income	(18,079)	-
Net losses from disposal of debt instruments at fair value through other comprehensive income	3,054	-
Interest expense on bonds in issue	370,550	318,647
Interest expense on lease liabilities	7,332	8,996
Net realised gains from disposal of financial instruments at fair value through profit or loss	(180,813)	(104,099)
Dividends and interest received from financial instruments at fair value through profit or loss	(8,486)	(15,748)
<b>Operating cash flows before movements in working capital</b>	<b>1,041,341</b>	<b>796,979</b>
Net increase in margin accounts receivable	(3,776,237)	(1,680,706)
Net increase in financial assets at fair value through profit or loss	(8,856,978)	(5,031,340)
Net decrease in financial assets held under resale agreements	868,863	3,263,749
Net (increase)/decrease in refundable deposits	(172,003)	7,860
Net increase in cash held for brokerage clients	(901,303)	(2,520,696)
Net increase in clearing settlement funds	(72,568)	(35,298)
Net increase in other assets	(870,679)	(111,920)
Net increase in accounts payable to brokerage clients	1,114,865	2,617,712
Net increase in financial assets sold under repurchase agreements	5,014,703	3,682,978
Net increase in due to other financial institutions	99,785	200,285
Net increase in other liabilities	1,760,571	281,855
Net decrease in financial liabilities at fair value through profit or loss	(486,688)	(65,970)
Cash (used in)/from operations	(5,236,328)	1,405,488
Income taxes paid	(134,511)	(164,700)
<b>Net cash (used in)/from operating activities</b>	<b>(5,370,839)</b>	<b>1,240,788</b>

## Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	NOTE	2020 RMB'000	2019 RMB'000
<b>Cash flows from investing activities</b>			
Dividends and interest received from investments		193,634	15,748
Proceeds on disposal of property and equipment, intangible assets and other long-term assets		1,929	696
Purchase of property and equipment, intangible assets and other long-term assets		(86,305)	(84,680)
Cash paid for purchase of			
– financial instruments at fair value through profit or loss		(1,647,707)	(6,230,115)
– debt instruments at fair value through other comprehensive income		(1,817,977)	–
Cash received from disposal of			
– financial instruments at fair value through profit or loss		1,873,775	6,337,941
– debt instruments at fair value through other comprehensive income		150,000	–
Capital reduction of an interest in an associate		–	15,960
<b>Net cash (used in)/from investing activities</b>		<b>(1,332,651)</b>	55,550
<b>Cash flows from financing activities</b>			
Interest paid for bonds in issue		(305,819)	(317,141)
Dividends paid		–	(95,120)
Repayments of leases liabilities		(84,176)	(77,026)
Cash received from additional bonds in issue		17,734,058	2,660,000
Cash paid for repayment of bonds in issue		(10,164,108)	(2,780,000)
Net proceeds from issue of shares		1,956,952	–
<b>Net cash from/(used in) financing activities</b>		<b>9,136,907</b>	(609,287)
Effect of exchange rate changes on the balance of cash held in foreign currencies		2,782	6,044
Net increase in cash and cash equivalents		2,433,417	687,051
Cash and cash equivalents at the beginning of the year		3,962,648	3,269,553
<b>Cash and cash equivalents at the end of the year</b>	49	<b>6,398,847</b>	3,962,648



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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.

As at 31 December 2020, the registered capital of the Company is RMB2,378,119 thousand. The Company holds the securities institution license and business license No.91320200135914870B. The registered address of the Company is No.8 Jinrong One Street, Wuxi, Jiangsu Province, PRC.

As of 31 December 2020, the Company has established 103 branches, including 14 branch offices and 89 securities branches, which are mainly located in Jiangsu province.

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

These consolidated financial statements were authorized for issue by the Board of Directors (the “Board”) on 18 March 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2. Application of amendments to international financial reporting standards (“IFRSs”)

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to Conceptual Framework in IFRSs and the following amendments to IFRSs issued by International Accounting Standards Board (“IASB”), for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IFRS 39 and IFRS 7	Interest Rate Benchmark Reform

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

In addition, the Group has early applied the Amendments to IFRS 16 “Covid-19-Related Rent Concessions”.

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020 and had no material impact on the Group’s financial positions and performance for the current year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2. Application of amendments to international financial reporting standards (“IFRSs”) – continued

### New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all above new and 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 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies

### 3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.1 Basis of preparation of consolidated financial statements – continued

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

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

### 3.2 Significant accounting policies

#### Basis of consolidation

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Basis of consolidation – continued

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

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

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

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, 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 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

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

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

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

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

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

#### ***Changes in the Group's ownership interests in existing subsidiaries***

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

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

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Basis of consolidation – continued

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

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

#### Business combinations or asset acquisitions

##### *Optional concentration test*

Effective from 1 January 2020, 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.

##### *Asset acquisitions*

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Business combinations or asset acquisitions – continued

##### *Business combinations*

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

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Business combinations or asset acquisitions – continued

##### *Business combinations – continued*

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Investments in associates – continued

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Property and equipment

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Intangible assets

##### *Intangible assets acquired separately*

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

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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

#### Leases

##### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Leases – continued

##### *The Group as a lessee*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

##### *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 recognized as expense on a straight-line basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Leases – continued

##### *The Group as a lessee – continued*

##### *Right-of-use assets – continued*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities, other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Leases – continued

##### *The Group as a lessee – continued*

##### *Lease liabilities*

At the commencement date of a lease, the Group recognizes 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 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Leases – continued

##### *The Group as a lessee – continued*

##### *Lease liabilities – continued*

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of assessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

##### *Lease modifications*

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Leases – continued

##### *The Group as a lessee – continued*

##### *Lease modifications – continued*

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *Covid-19-related rent concessions*

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Leases – continued

##### *The Group as a lessor*

##### *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. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Leases – continued

##### *The Group as a lessor – continued*

##### *Allocation of consideration to components of a contract*

When a contract includes both leases and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Sublease*

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

##### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### **Foreign currencies**

In preparing the financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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.

#### **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.

#### ***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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – 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 benefit*

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 the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – 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 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 applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis, and deferred tax assets and liabilities are recognised accordingly.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### **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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

##### *Financial assets – continued*

##### *Classification and subsequent measurement of financial assets – continued*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/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 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

#### *Financial assets – continued*

#### *Classification and subsequent measurement of financial assets – continued*

(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. 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 change in equity. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

##### *Financial assets – continued*

##### *Classification and subsequent measurement of financial assets – continued*

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the change in equity; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "net investment gains" line item in profit or loss.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

(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 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

##### *Financial assets – continued*

##### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9*

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, margin accounts receivable, accounts receivable and other receivables in other current assets and refundable deposits), and other items (loan commitments) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. The ECL on account receivables are assessed individually for debtors with significant balances and/or collectively using a provision matrix with aging groupings.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

#### *Financial assets – continued*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- debtor fails to pay the principal and interest as per the due date of the contract and the number of days overdue;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- 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 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

#### *Financial assets – continued*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(i) Significant increase in credit risk – continued

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 collaterals 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

#### *Financial assets – continued*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(iii) Credit-impaired financial assets

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) purchase or originate a financial asset at a substantial discount, which reflects the fact that a credit loss has occurred.

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

#### *Financial assets – continued*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(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.

For ECL on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

#### *Financial assets – continued*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued*

(v) Measurement and recognition of ECL – continued

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments including account receivables are grouped based on shared credit risk characteristics. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI and loan commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the debt investment revaluation reserve without reducing the carrying amounts of these debt instruments.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

##### *Financial assets – continued*

##### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

##### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

##### *Financial assets – continued*

###### *Securities lending*

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interest arisen from the cash collateral are included in “accounts payable to brokerage clients”. For those securities held by the Group that are lent to clients, they are not derecognised and are continued to be recorded as financial assets at FVTPL.

##### *Financial liabilities and equity instruments*

###### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

###### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

###### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

##### *Financial liabilities and equity instruments – continued*

##### *Financial liabilities 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

#### *Financial liabilities and equity instruments – continued*

#### *Financial liabilities 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 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

##### *Financial liabilities and equity instruments – continued*

##### *Financial liabilities 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. 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.

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

##### *Financial liabilities and equity instruments – continued*

##### *Non-substantial modifications of financial liabilities*

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

##### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

##### *Embedded derivatives*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Financial instruments – continued

##### *Offsetting a financial asset and a financial liability*

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### **Revenue from contracts with customers**

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### **Revenue from contracts with customers – continued**

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

#### ***Contracts with multiple performance obligations (including allocation of transaction price)***

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Revenue from contracts with customers – continued

##### *Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

###### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

###### *Variable consideration*

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

###### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### Revenue from contracts with customers – continued

##### *Principal versus agent – continued*

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 on the date of the securities transaction;
- (b) Commission and fee income arising from investment banking services is recognised when the contractual obligations are fulfilled;
- (c) Commission and fee income arising from asset management services is recognized 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.

#### **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 the amount of the obligation can be reliably estimated.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3. Basis of preparation of consolidated financial statements and significant accounting policies – continued

### 3.2 Significant accounting policies – continued

#### **Provisions – continued**

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

#### **Impairment on tangible and intangible assets other than goodwill and financial assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired.

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. 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) 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 in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. Key sources of estimation uncertainty and critical accounting judgment

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group reviewed the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

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

### Expected credit losses of advances to customers

The Group estimates the amount of loss allowance for ECL on its margin accounts receivable and financial assets held under resale agreements. 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 and financial assets held under resale agreements. The assessment of the credit risk of margin accounts receivable and financial assets held under resale agreements 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. Refer to Note 54 for more details on ECL.

## 4. Key sources of estimation uncertainty and critical accounting judgment – continued

### Expected credit losses of advances to customers – continued

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 26 and 33.

#### Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

#### Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

#### Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

#### Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 4. Key sources of estimation uncertainty and critical accounting judgment – continued

### Expected credit losses of advances to customers – continued

#### Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

#### Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments and discounted cash flow analysis. To the extent practical market observable inputs and data, such as interest rate yield curves, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

#### Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income 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 30.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 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 2020.

The Group mainly operates in Jiangsu Province, the PRC. Almost all of the revenue and other income of the Group are generated in the PRC.

Non-current assets of the Group are all located in the PRC.

No income from any single customer contributed over 10% of the total revenue and other income of the Group.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 5. Segment analysis – continued

Year ended 31 December 2020

	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>	<b>938,974</b>	<b>581,133</b>	<b>362,449</b>	<b>675,021</b>	<b>104,206</b>	<b>70,240</b>	<b>(50,000)</b>	<b>2,682,023</b>
Commission and fee income								
– external	752,104	5,529	277,110	-	72,675	-	-	1,107,418
– internal	-	-	50,000	-	-	-	(50,000)	-
Interest income								
– external	186,810	575,604	12,586	31,527	18,915	65,714	-	891,156
– internal	-	-	-	-	-	-	-	-
Net investment gains/(losses)								
– external	-	-	22,753	643,494	12,616	-	-	678,863
– internal	-	-	-	-	-	-	-	-
Other income								
– external	60	-	-	-	-	4,526	-	4,586
– internal	-	-	-	-	-	-	-	-
<b>Total expenses (including reversal of impairment losses)</b>	<b>(600,336)</b>	<b>(353,999)</b>	<b>(256,471)</b>	<b>(253,772)</b>	<b>(54,449)</b>	<b>(394,298)</b>	<b>8,236</b>	<b>(1,905,089)</b>
<b>Operating profit/(loss)</b>	<b>338,638</b>	<b>227,134</b>	<b>105,978</b>	<b>421,249</b>	<b>49,757</b>	<b>(324,058)</b>	<b>(41,764)</b>	<b>776,934</b>
Other gains/(losses), net								
– external	2,826	-	2,813	16	10	4,621	-	10,286
– internal	-	-	-	-	-	-	-	-
Share of profits of investments in associates	-	-	-	-	238	464	-	702
<b>Profit/(Loss) before income tax</b>	<b>341,464</b>	<b>227,134</b>	<b>108,791</b>	<b>421,265</b>	<b>50,005</b>	<b>(318,973)</b>	<b>(41,764)</b>	<b>787,922</b>
<b>Total assets</b>	<b>8,618,860</b>	<b>11,306,675</b>	<b>1,186,540</b>	<b>20,314,889</b>	<b>1,380,969</b>	<b>4,773,472</b>	<b>(1,361,456)</b>	<b>46,219,949</b>
<b>Total liabilities</b>	<b>8,269,841</b>	<b>10,116,511</b>	<b>152,767</b>	<b>15,635,998</b>	<b>805,614</b>	<b>622,152</b>	<b>22,896</b>	<b>35,625,779</b>
Supplemental information								
Interests in associates	-	-	-	-	4,237	100,666	-	104,903
Capital expenditure	92,919	1,766	36,143	7,074	5,873	22,590	-	166,365
Depreciation and amortisation	67,507	476	24,771	1,713	3,717	61,610	-	159,794
Impairment losses/(reversal)	-	5,250	41	5,133	465	1,323	-	12,212

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 5. Segment analysis – continued

Year ended 31 December 2019

	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 gains and other income</b>	657,563	601,626	315,337	443,927	76,076	33,570	(4,528)	2,123,571
Commission and fee income								
– external	506,444	3,077	257,124	–	66,256	–	–	832,901
– internal	–	–	4,528	–	–	–	(4,528)	–
Interest income								
– external	151,043	598,549	19,461	43,215	23,534	28,004	–	863,806
– internal	–	–	–	–	–	–	–	–
Net investment gains/(losses)								
– external	–	–	34,224	400,712	(13,804)	–	–	421,132
– internal	–	–	–	–	–	–	–	–
Other income								
– external	76	–	–	–	90	5,566	–	5,732
– internal	–	–	–	–	–	–	–	–
<b>Total expenses (including reversal of impairment losses)</b>	(511,052)	(311,461)	(246,584)	(22,769)	(30,375)	(336,313)	1,102	(1,457,452)
<b>Operating profit/(loss)</b>	146,511	290,165	68,753	421,158	45,701	(302,743)	(3,426)	666,119
Other gains/(losses), net								
– external	(116)	(1,869)	1,310	–	484	13,958	–	13,767
– internal	–	–	–	–	–	–	–	–
Share of profits of investments in associates	–	–	–	–	5,227	1,372	–	6,599
<b>Profit/(Loss) before income tax</b>	146,395	288,296	70,063	421,158	51,412	(287,413)	(3,426)	686,485
<b>Total assets</b>	8,003,055	7,967,010	1,142,611	7,257,153	1,497,399	3,639,860	(1,087,685)	28,419,403
<b>Total liabilities</b>	7,631,297	7,294,716	124,184	3,784,743	1,121,590	392,121	3,426	20,352,077
Supplemental information								
Interests in associates	–	–	–	–	3,999	100,202	–	104,201
Capital expenditure	59,618	493	6,832	967	2,312	50,566	–	120,788
Depreciation and amortisation	57,663	160	25,206	432	2,376	54,630	–	140,467
Impairment losses/(reversal)	100	(13,712)	52	98	1,514	(488)	–	(12,436)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 6. Commission and fee income

	2020	2019
	RMB'000	RMB'000
Securities brokerage	745,464	506,444
Underwriting and sponsorship	202,239	181,644
Investment consultancy and financial advisory	81,510	75,480
Asset management <sup>(a)</sup>	72,676	66,256
Others	5,529	3,077
	<b>1,107,418</b>	<b>832,901</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 2020, the Group expected that performance obligation would be satisfied within one year for most existing contracts.

### 7. Interest income under effective interest method

	2020	2019
	RMB'000	RMB'000
Interest income from margin financing	428,686	258,514
Interest income from bank deposits	275,396	207,902
Interest income from financial assets held under resale agreements	168,995	397,390
Interest income from debt instruments at fair value through other comprehensive income	18,079	–
	<b>891,156</b>	<b>863,806</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 8. Net investment gains/(losses)

	2020	2019
	RMB'000	RMB'000
Realised gains from disposal of financial assets at fair value through profit or loss	183,612	120,859
Realised losses from disposal of financial liability at fair value through profit or loss	(6,040)	–
Realised losses from disposal of financial assets at fair value through other comprehensive income	(3,053)	–
Distribution to interest holders of consolidated SEs	(44,371)	(53,447)
Dividends and interest income from financial assets at fair value through profit or loss	420,027	116,845
Net realised gains from derivative financial instruments	41,413	24,372
Unrealised fair value change of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	126,056	203,441
– Derivative financial instruments	(43,223)	4,329
– Financial liabilities at fair value through profit or loss	4,442	4,733
	678,863	421,132

### 9. Other income

	2020	2019
	RMB'000	RMB'000
Rental income	2,760	4,567
Others	1,826	1,165
	4,586	5,732

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 10. Commission and fee expenses

	2020	2019
	RMB'000	RMB'000
Securities brokerage	219,220	146,795
Underwriting and sponsorship	2,089	8,491
Investment consultancy and financial advisory	–	2,598
Asset management	1,084	1,267
Others	9,540	<1
	<b>231,933</b>	159,151

### 11. Interest expenses

	2020	2019
	RMB'000	RMB'000
Interest expense on bonds in issue	370,550	314,117
Interest expense on financial assets sold under repurchase agreement	160,207	13,051
Interest expense on accounts payable to brokerage clients	38,812	29,683
Interest expenses on due to other financial institutions	8,633	586
Interest expense on lease liabilities	7,332	8,996
	<b>585,534</b>	366,433

### 12. Staff costs (including directors' and supervisors' remuneration)

	2020	2019
	RMB'000	RMB'000
Salaries and bonus	603,235	505,185
Pension	34,318	73,265
Other social security	43,790	39,369
Labour union funds and employee education funds	6,397	6,989
Other welfares	12,699	20,546
	<b>700,439</b>	645,354

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 (2019: one director), details of whose remuneration are set out in Note 12.2. Details of the remuneration for the year of the remaining four (2019: four) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2020	2019
	RMB'000	RMB'000
Salaries allowances and other welfares	12,913	8,134
Bonus	11,314	7,728
	24,227	15,862

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of Employees	
	2020	2019
HKD1,000,001 to HKD3,000,000	–	2
HKD3,000,001 to HKD5,000,000	2	2
HKD5,000,001 to HKD8,000,000	2	–
	4	4

The Group has not provided any compensations to any of the directors and supervisors of the Company or the five highest paid individuals as incentive for them to join the Group, rewarding for joining the Group or for leaving the Group.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 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 2020

Name	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
<b>Executive Directors</b>							
Ge Xiaobo (appointment came into effect on 23 October 2019)	-	960	40	8	67	4,000	5,075
<b>Non-executive Directors</b>							
Yao Zhiyong (Chairman) (appointed on 8 March 2017)	-	-	-	-	-	-	-
Hua Weirong (appointed on 16 June 2016)	-	-	-	-	-	-	-
Zhou Weiping (appointed on 16 June 2016)	-	-	-	-	-	-	-
Liu Hailin (appointed on 16 June 2016)	-	-	-	-	-	-	-
Zhang Weigang (appointed on 16 June 2016)	-	-	-	-	-	-	-
Wu Xingyu (appointed on 8 November 2018)	120	-	-	-	-	-	120
Zhu Hehua (appointed on 27 June 2019)	120	-	-	-	-	-	120
Lu Yuanzhu (appointed on 10 March 2017)	120	-	-	-	-	-	120
<b>Supervisors</b>							
Jiang Zhiqiang (appointed on 10 March 2017)	-	720	36	5	73	880	1,714
Zhou Weixing (appointed on 16 June 2016)	-	-	-	-	-	-	-
Ren Jun (appointed on 10 March 2017)	-	-	-	-	-	-	-
Shen Ying (appointed on 16 June 2016)	-	188	26	5	17	90	326
Yu Lei (appointed on 16 June 2016)	-	223	36	5	25	235	524
	360	2,091	138	23	182	5,205	7,999

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 12. Staff costs (including directors' and supervisors' remuneration) – continued

### 12.2 Directors' and supervisors' emoluments – continued

For the year ended 31 December 2019

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 Directors</b>							
Ge Xiaobo (appointment came into effect on 23 October 2019)	–	275	20	23	17	3,000	3,335
Peng Yanbao (appointed on 16 June 2016 and resigned on 23 October 2019)	–	280	18	24	58	–	380
<b>Non-executive Directors</b>							
Yao Zhiyong (Chairman) (appointed on 8 March 2017)	–	–	–	–	–	–	–
Hua Weirong (appointed on 16 June 2016)	–	–	–	–	–	–	–
Zhou Weiping (appointed on 16 June 2016)	–	–	–	–	–	–	–
Liu Hailin (appointed on 16 June 2016)	–	–	–	–	–	–	–
Zhang Weigang (appointed on 16 June 2016)	–	–	–	–	–	–	–
Wu Xingyu (appointed on 8 November 2018)	120	–	–	–	–	–	120
Zhu Hehua (appointed on 27 June 2019)	60	–	–	–	–	–	60
Li Baixi (appointed on 5 July 2016 and resigned on 27 June 2019)	60	–	–	–	–	–	60
Lu Yuanzhu (appointed on 10 March 2017)	120	–	–	–	–	–	120
<b>Supervisors</b>							
Jiang Zhiqiang (appointed on 10 March 2017)	–	390	32	38	84	1,050	1,594
Zhou Weixing (appointed on 16 June 2016)	–	–	–	–	–	–	–
Ren Jun (appointed on 10 March 2017)	–	–	–	–	–	–	–
Shen Ying (appointed on 16 June 2016)	–	131	25	38	21	100	315
Yu Lei (appointed on 16 June 2016)	–	170	32	38	41	160	441
	360	1,246	127	161	221	4,310	6,425

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 12. Staff costs (including directors' and supervisors' remuneration) – continued

### 12.2 Directors' and supervisors' emoluments – continued

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company. The non-executive directors' emoluments shown above were for their services as directors of the Company.

In addition to the directors' remuneration disclosed above, certain directors are not paid directly by the Company but receive remuneration from the Company's holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

### 12.3 Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 13. Depreciation and amortisation

	2020	2019
	RMB'000	RMB'000
Depreciation of property and equipment	23,606	25,205
Amortisation of intangible assets	43,851	32,168
Amortisation of long-term prepaid expense	17,976	17,574
Depreciation of right-of-use assets	74,361	65,520
	<b>159,794</b>	140,467

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 14. Other operating expenses

	2020	2019
	RMB'000	RMB'000
Tax and surcharges	14,981	10,709
Rentals	2,416	3,138
Office expenses	32,266	28,051
Marketing and distribution expenses	26,551	17,231
Securities investors protection fund	9,222	7,555
Travelling expenses	20,708	17,679
Postage and communication expenses	42,027	28,396
Consulting expenses	11,244	6,626
Professional service expenses	13,623	6,902
Auditor's remuneration		
– audit services (Note)	3,330	3,340
Others	38,809	28,856
	<b>215,177</b>	<b>158,483</b>

Note: Auditor's remuneration for statutory audit of the Group for the year ended 31 December 2020 was included in auditor's remuneration (2019: the same). The statutory financial statements were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (2019: the same).

### 15. Impairment losses under expected credit loss model, net of reversal

	2020	2019
	RMB'000	RMB'000
Margin accounts receivable	1,568	(3,874)
Accounts receivable and other receivables	1,836	1,278
Financial assets held under resale agreements	3,682	(9,840)
Debt instruments at fair value through other comprehensive income	5,126	–
	<b>12,212</b>	<b>(12,436)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 16. Other gains, net

	2020	2019
	RMB'000	RMB'000
Foreign exchange gains	3,848	6,044
Others	6,438	7,723
	<b>10,286</b>	13,767

### 17. Income tax expense

	2020	2019
	RMB'000	RMB'000
Current income tax expense		
– Mainland China	198,317	123,205
– Hong Kong, China	56	–
	<b>198,373</b>	123,205
Under/(over) provision in prior years		
– Mainland China	2,775	(546)
Deferred tax		
– Mainland China (Note 30)	(58)	42,483
– Hong Kong, China (Note 30)	(1,039)	–
	<b>(1,097)</b>	42,483
	<b>200,051</b>	165,142

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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.50%.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 17. Income tax expense – continued

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HKD2 million of the estimated assessable profits and at 16.50% on the estimated assessable profits above HKD2 million.

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:

	2020	2019
	RMB'000	RMB'000
Profit before income tax	787,922	686,485
Tax calculated at applicable statutory tax rate	196,981	171,621
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,993	–
Income not subject to tax	(6,529)	(7,719)
Expense/loss not deductible for tax purposes	4,831	1,786
Adjustment in respect of prior years	2,775	(546)
Income tax expense for the year	200,051	165,142

## 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.

	2020	2019
Profit attributable to shareholders of the Company (RMB'000)	587,871	521,343
Weighted average number of ordinary shares in issue (in thousand)	2,100,616	1,902,400
Basic earnings per share (in RMB)	0.28	0.27

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 18. Earnings per share – continued

### 18.2 Diluted earnings per share

For the year ended 31 December 2020, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share (2019: the same).

## 19. Dividends

	2020	2019
Dividends recognised as distribution	–	95,120

No dividend has been paid for the year ended 31 December 2020 on the undistributed profits as at 31 December 2019 (2019: Pursuant to the resolution of the annual general meeting of Shareholders held on 13 June 2019, the Company distributed a cash dividend of RMB0.5 (including tax) for every 10 shares to all shareholders of the Company, in an aggregate amount of RMB95,120 thousand).

Under the “Company Law” of the PRC, the Company’s Articles of Association and in accordance with the requirements of CSRC, the net profit after 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 2020

### 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 2020	155,303	6,465	184,460	346,228
Additions	–	689	25,463	26,152
Disposals	–	(2,562)	(13,342)	(15,904)
Exchange differences	–	–	(3)	(3)
31 December 2020	155,303	4,592	196,578	356,473
<b>Accumulated depreciation</b>				
1 January 2020	(100,661)	(6,179)	(151,251)	(258,091)
Additions	(5,530)	(169)	(17,907)	(23,606)
Disposals	–	2,562	11,414	13,976
Exchange differences	–	–	–	–
31 December 2020	(106,191)	(3,786)	(157,744)	(267,721)
<b>Carrying amount</b>				
1 January 2020	54,642	286	33,209	88,137
31 December 2020	49,112	806	38,834	88,752

For the year ended 31 December 2020, gains from disposal of property and equipment amounted to RMB2 thousand (2019: RMB399 thousand).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 21. Right-of-use assets

	Buildings	Motor Vehicles	Total
	RMB'000	RMB'000	RMB'000
<b>Cost</b>			
1 January 2020	340,294	1,752	342,046
Additions	79,499	691	80,190
Disposals	(3,242)	(783)	(4,025)
Exchange difference	(195)	–	(195)
31 December 2020	416,356	1,660	418,016
<b>Accumulated depreciation</b>			
1 January 2020	(168,692)	(1,425)	(170,117)
Additions	(73,805)	(556)	(74,361)
Disposals	3,206	783	3,989
Exchange difference	33	–	33
31 December 2020	(239,258)	(1,198)	(240,456)
<b>Carrying amount</b>			
1 January 2020	171,602	327	171,929
31 December 2020	177,098	462	177,560

The Group leases various buildings and vehicles for its operations. Lease contracts are entered into for term of 12 months to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended 31 December 2020, total cash outflow for leases amounts to RMB84,176 thousand (2019: RMB77,026 thousand).

For the year ended 31 December 2020, expense relating to short-term leases amounts to RMB2,292 thousand (2019: RMB2,789 thousand). Expense relating to leases of low value assets excluding short-term leases of low value assets amounts to RMB124 thousand (2019: RMB349 thousand).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 21. Right-of-use assets – continued

As at 31 December 2020, 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 2019: the same).

In addition, as at 31 December 2020, lease liabilities of RMB 175,643 thousand (31 December 2019: RMB172,650 thousand) are recognised with related right-of-use assets of RMB177,560 thousand (31 December 2019: RMB171,929 thousand) (Note 41). 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 2020, the Group did not enter into any lease that is not yet commenced commenced (31 December 2019: the same).

### 22. Intangible assets

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
<b>Cost</b>			
1 January 2020	600	154,094	154,694
Additions	–	52,699	52,699
Disposals	–	(25,645)	(25,645)
31 December 2020	600	181,148	181,748
<b>Accumulated amortisation</b>			
1 January 2020	(520)	(103,877)	(104,397)
Additions	(60)	(43,791)	(43,851)
Disposals	–	25,645	25,645
31 December 2020	(580)	(122,023)	(122,603)
<b>Carrying amount</b>			
1 January 2020	80	50,217	50,297
31 December 2020	20	59,125	59,145

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 23. Principal subsidiaries

### General information of principal subsidiaries

The following were principal subsidiaries of the Group as at 31 December 2020. The equity interests in these subsidiaries were all ordinary shares and directly held by the Company and the percentage of ownership held by the Group represented the voting rights of the Group. The registered addresses were also their business locations.

Name of subsidiary	Date of establishment	Place of Registration	Registered capital	Equity interests held by the Group		Principal activities
				31 December 2020	31 December 2019	
Hua Ying Securities Co., Ltd.	April 2011	Wuxi, China	800,000	100.00%	100.00%	Underwriting and sponsor
Guolian Tongbao Capital Investment Co., Ltd.	January 2010	Wuxi, China	200,000	100.00%	100.00%	Equity Investment
Wuxi Guolian Chuangxin Capital Co., Ltd	July 2019	Wuxi, China	500,000	100.00%	100.00%	Capital Investment
Guolian Securities (H.K.) Co., Ltd	April 2020	Hong Kong, China	273,831	100.00%	100.00%	Investment Advisory

Note: As at 31 December 2020, all the principal subsidiaries of the Group are limited liability companies (corporate owned) registered in the mainland China or Hong Kong, China.

## 24. Interests in associates

Set out below are the associates of the Group as at 31 December 2020. Investments in associates as listed below are held directly by the Company; the country of incorporation or registration is also their principal place of business.

### Nature of investments in associates as at 31 December 2020

	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Zhonghai Fund Management Co., Ltd.	China	33.41%	Note (i)	Equity
Wuxi Guolian Lingxiang SME Investment Company (L.P.)	China	35.82%	Note (ii)	Equity

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 24. Interests in associates – continued

#### Nature of investments in associates as at 31 December 2020 – continued

Note i: Zhonghai Fund Management Co., Ltd., invested by the Company, provides funds distribution, asset management and other services authorised by the CSRC.

Note ii: Wuxi Guolian Lingxiang SME investment Company (L.P) is a Limited Liability Partnership invested by Guolian Tongbao Capital Investment Co., Ltd., mainly operates in investment in small and medium enterprises.

All the entities are private companies and there are no quoted market prices available for their shares.

There are no contingent liabilities relating to the Group's interests in the associates.

	2020	2019
	RMB'000	RMB'000
Balance at beginning of the year	104,201	113,562
Share of profit	702	6,599
Capital reduction	–	(15,960)
Balance at end of the year	104,903	104,201

The results of the Group's principal associate, and its aggregated assets (including goodwill) and liabilities, are as follows:

	Zhonghai Fund Management Co., Ltd.	
	2020	2019
	RMB'000	RMB'000
Carrying amount of total assets	361,698	366,843
Carrying amount of net assets	319,603	323,253
Amounts of the Group's share thereon	100,666	100,202
Revenue	151,310	149,183
(Loss)/profit for the year	(3,649)	367
Profit for the year attributable to shareholders of the Company	1,390	4,110
Amounts of the Group's share of profit for the year	465	1,372

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 24. Interests in associates – continued

Reconciliation of the above consolidated financial statements to the carrying amount of the interest in the above associate recognised in the financial statements:

	Zhonghai Fund Management Co., Ltd.	
	2020/12/31	2019/12/31
	RMB'000	RMB'000
Equity attributable to equity holders of the associate	301,314	299,923
Proportion of equity interests held by the Group	33.41%	33.41%
Carrying Amount	100,666	100,202

The information of Wuxi Guolian Lingxiang SME Investment Company (L.P.) is as follows:

	Wuxi Guolian Lingxiang SME Investment Company (L.P.)	
	2020	2019
	RMB'000	RMB'000
Carrying amount of total assets	11,950	11,167
Carrying amount of net assets	11,791	11,167
Amounts of the Group's share thereon	4,237	3,999
Profit for the year	664	15,690
Amounts of the Group's share of profit for the year	238	5,227

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 25. Other non-current assets

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Margin deposits of derivative contracts	294,769	–
Long-term prepaid assets	31,710	42,232
	<b>326,479</b>	42,232

	2020	2019
Long-term prepaid assets:	RMB'000	RMB'000
Balance at beginning of the year	42,232	40,097
Additions	7,454	19,709
Amortisation	(17,976)	(17,574)
Balance at end of the year	<b>31,710</b>	42,232

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 26. Financial assets held under resale agreements

	2020/12/31	2019/12/31
	RMB'000	RMB'000
<b>Non-current assets</b>		
Analysed by asset type:		
– Equity securities	25,050	415,101
Less: Impairment allowance	(212)	(2,471)
	<b>24,838</b>	412,630
Analysed by market:		
– Shanghai Stock Exchange	24,838	6,092
– Shenzhen Stock Exchange	–	406,538
	<b>24,838</b>	412,630
<b>Current assets</b>		
Analysed by asset type:		
– Equity securities	1,855,460	2,334,997
– Debt securities	2,422,598	848,736
Less: Impairment allowance	(175,377)	(169,436)
	<b>4,102,681</b>	3,014,297
Analysed by market:		
– Interbank market	152,902	328,666
– Shanghai Stock Exchange	2,466,228	886,176
– Shenzhen Stock Exchange	1,483,551	1,799,455
	<b>4,102,681</b>	3,014,297

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 26. Financial assets held under resale agreements – continued

The Group received equity securities and debt securities as collaterals in connection with the purchase of assets under resale agreements. Certain of these collaterals can be resold or re-pledged. As at 31 December 2020, there is no collaterals accepted by the Group that can be resold or re-pledged for financial assets sold under repurchase agreement. (31 December 2019: 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 2020	6,053	12,189	153,665	171,907
Changes in the loss allowance:				
– Transfer	–	–	–	–
– Charged to profit or loss	(1,194)	5,644	(768)	3,682
As at 31 December 2020	4,859	17,833	152,897	175,589

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, 2020	3,594,280	555,932	152,896	4,303,108
As at 31 December, 2019	2,511,381	933,788	153,665	3,598,834

As at 31 December 2020, the gross carrying amount of the Group's financial assets held under resale agreements in stage 2 decreased, while the provision rate of ECL increased to certain extent which led to the increase of impairment loss of ECL.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27. Financial assets at fair value through profit or loss

#### Non-current assets

	2020/12/31	2019/12/31
	RMB'000	RMB'000
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
Investment in unlisted companies	140,675	99,742
Trust schemes	125,215	–
Collective asset management schemes	56,938	17,801
<b>Total non-current assets</b>	<b>322,828</b>	117,543
<b>Analysed as:</b>		
Unlisted	322,828	117,543

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 27. Financial assets at fair value through profit or loss – continued

#### Current assets

	2020/12/31	2019/12/31
	RMB'000	RMB'000
<b>Financial assets mandatorily measured at fair value through profit or loss</b>		
Debt securities	10,963,616	6,736,418
Equity securities	896,987	560,417
Investment funds	1,600,094	321,740
Asset backed securities	388,815	220,084
Trust schemes	37,249	–
Collective asset management schemes	369,905	200,737
Private equity funds	2,080,354	–
Wealth management products	295,243	66,007
<b>Total current assets</b>	<b>16,632,263</b>	<b>8,105,403</b>
	<b>16,955,091</b>	<b>8,222,946</b>
<b>Analysed as:</b>		
Listed in Hong Kong	76,153	62,683
Listed outside Hong Kong	5,765,095	7,492,657
Unlisted	10,791,015	550,063
	<b>16,632,263</b>	<b>8,105,403</b>

As at 31 December 2020, the fair value of securities of the Group which have been placed as collateral was RMB11,125,278 thousand (31 December 2019: RMB4,171,893 thousand). And the fair value of securities used for securities lending was RMB61,482 thousand (31 December 2019: RMB20,650 thousand).

As at 31 December 2020, the fair value of interests in collective asset management schemes, of which the redemption was restricted due to the Group's participation in the schemes which were managed by the Group, was RMB56,938 thousand (31 December 2019: RMB17,801 thousand).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 28. Derivative financial instruments

	2020/12/31		2019/12/31	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Futures contracts<sup>(a)</sup></b>	-	-	-	-
Listed options	-	(243)	-	-
OTC options	24,419	(44,770)	-	-
Interest rate swaps	119	(523)	-	-
Return swaps	53,107	(71,048)	-	-
	<b>77,645</b>	<b>(116,584)</b>	-	-

Analysed for reporting purpose as:

	2020/12/31		2019/12/31	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Current	59,220	(94,983)	-	-
Non-current	18,425	(21,601)	-	-
	<b>77,645</b>	<b>(116,584)</b>	-	-

#### (a) Futures contracts

	2020/12/31		2019/12/31	
	Nominal value	Fair value	Nominal value	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Treasury futures</b>	<b>1,359,598</b>	<b>(901)</b>	-	-
SIF	719,298	(3,383)	-	-
Less: cash paid as settlement		(4,284)		-
Net position of future contracts		-		-

The future contracts of the Group represent treasury future contracts and stock index futures contracts. The Group settles its gains or losses on treasury future contracts and stock index futures ("SIF") position on a daily basis.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 29. Debt instruments at fair value through other comprehensive income

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Analysed by type of issuers:		
Government	304,383	–
Financial institutions	354,061	–
Corporate entities	1,019,593	–
	<b>1,678,037</b>	–
<b>Analysed as:</b>		
Listed outside Hong Kong	520,811	–
Unlisted	1,157,226	–
<b>Expected credit losses</b>	<b>5,126</b>	–

As at 31 December 2020, the fair value of securities of the Group which have been placed as collateral was RMB882,042 thousand (31 December 2019: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 29. Debt instruments at fair value through other comprehensive income – continued

The following table shows reconciliation of loss allowances that have been recognised for debt instruments at fair value through other comprehensive income.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2020	-	-	-	-
Changes in the loss allowance:				
– Transfer/Write-offs	-	-	-	-
– Charged to profit or loss	5,126	-	-	5,126
As at 31 December 2020	5,126	-	-	5,126

The tables 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, 2020	1,678,037	-	-	1,678,037
As at 31 December, 2019	-	-	-	-

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 30. Deferred income 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:

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Deferred income tax assets	36,960	38,149
Deferred income tax liabilities	–	(1,163)
	<b>36,960</b>	<b>36,986</b>

- (2) The gross movements in deferred income tax assets (liabilities) during the year are as follows:

	Impairment losses	Changes in fair value of financial assets/liabilities at fair value through profit or loss	Derivative financial instruments	Debt instrument at fair value through other comprehensive income	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	48,376	20,562	–	–	10,531	79,469
(Charge)/Credit to profit or loss	(3,177)	(51,942)	–	–	12,636	(42,483)
At 31 December 2019	45,199	(31,380)	–	–	23,167	36,986
As at 1 January 2020	45,199	(31,380)	–	–	23,167	36,986
(Charge)/Credit to profit or loss	1,761	(33,088)	10,782	1,280	20,362	1,097
Charge to other comprehensive income	–	–	–	(1,123)	–	(1,123)
At 31 December 2020	46,960	(64,468)	10,782	157	43,529	36,960

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 31. Refundable deposits

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Deposits to Stock Exchanges		
– Shanghai Stock Exchange	114,645	36,203
– Shenzhen Stock Exchange	40,372	27,343
– China Beijing Equity Exchange	1,348	1,088
Deposits to futures brokers	80,272	–
	<b>236,637</b>	64,634

### 32. Other current assets

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Accounts receivable (Note i)	65,508	93,040
Prepaid expenses	14,132	12,008
Other receivables (Note ii)	12,124	10,693
Margin deposits of derivative contracts	599,269	–
Others	9,784	53,118
Less: Impairment allowance	(4,650)	(2,814)
	<b>696,167</b>	166,045

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 32. Other current assets – continued

Note i: Accounts receivable

The aging analysis of accounts receivable based on the date of rendering services is as follows:

	2020/12/31		2019/12/31	
	Amount RMB'000	Impairment allowance RMB'000	Amount RMB'000	Impairment allowance RMB'000
Up to 1 year	59,870	104	92,868	71
1 to 2 years	5,638	–	172	–
	<b>65,508</b>	<b>104</b>	93,040	71

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 recognizes lifetime ECL for accounts receivable. As at 31 December 2020, accounts receivable of the Group were not credit-impaired (2019: the same). As at 31 December 2020, the credit risk exposure of accounts receivable amounted to RMB65,508 thousand (2019: RMB93,040 thousand).

Note ii: Other receivables

Other receivables of the Group mainly include refundable rental deposits.

The tables below details the credit risk exposures of the Group's other receivables, which are subject to ECL assessment.

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2020	220	990	1,533	2,743
Changes in the loss allowance:				
– Transfer	(37)	(48)	85	–
– Charged to profit or loss	58	505	1,240	1,803
As at 31 December 2020	241	1,447	2,858	4,546

Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 31 December, 2020	2,031	7,235	2,858	12,124
As at 31 December, 2019	3,234	5,926	1,533	10,693



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 33. Margin accounts receivable

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Margin accounts receivable	8,420,779	4,644,542
Less: Impairment allowance	(7,713)	(6,145)
	<b>8,413,066</b>	4,638,397

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 31 December 2020, impairment allowance amounting to RMB7,713 thousand was provided (31 December 2019: RMB6,145 thousand).

Margin accounts receivable as at 31 December 2020 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB23,997,308 thousand (31 December 2019: RMB14,230,772 thousand).

The following tables show reconciliation of loss allowances that has been recognised for margin accounts receivable.

	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL	Lifetime ECL	
	RMB'000	(not credit-impaired)	(credit-impaired)	RMB'000
As at 1 January 2020	3,596	2,549	–	6,145
Changes in the loss allowance:				
– Transfer	255	(255)	–	–
– Charged to profit or loss	1,561	7	–	1,568
As at 31 December 2020	<b>5,412</b>	<b>2,301</b>	–	<b>7,713</b>

The tables below details the credit risk exposures of the Group's margin accounts receivable, which are subject to ECL assessment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 33. Margin accounts receivable – continued

#### 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, 2020	7,888,888	531,891	–	8,420,779
As at 31 December, 2019	4,447,826	196,716	–	4,644,542

As at 31 December 2020, the gross carrying amount of the Group's margin accounts receivable in stage 1 increased, and the amount of the loss allowances increased as well.

### 34. Clearing settlement funds

	2020/12/31 RMB'000	2019/12/31 RMB'000
Clearing settlement funds held for clients	1,813,038	1,740,470
Proprietary clearing settlement funds	698,568	360,068
	2,511,606	2,100,538

### 35. Cash held for brokerage clients

The Group maintains separate banking accounts with banks and authorised institutions for clients' monies arising from the normal course of business. The Group records these monies as cash held for brokerage clients under current assets, and recognises them as due to clients given that they are held liable for any loss or appropriation of these monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions as per CSRC regulations.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 36. Cash and bank balances

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Cash	15	–
Bank balances	3,281,351	2,757,258
<b>Total</b>	<b>3,281,366</b>	<b>2,757,258</b>

### 37. Share capital

All shares issued by the Company are fully paid common shares, with a notional value of RMB1 per share. The number of shares and nominal value of the Company's share capital are as follows:

	Domestic Shares		H shares		Total	
	Number of	Amount	Number of	Amount	Number of	Amount
	shares	RMB'000	shares	RMB'000	shares	RMB'000
Registered, issued and fully paid at RMB1.0 per share:						
At 1 January 2019 and						
31 December 2019	1,459,760	1,459,760	442,640	442,640	1,902,400	1,902,400
Issurance of A shares	475,719	475,719	–	–	475,719	475,719
<b>31 December 2020</b>	<b>1,935,479</b>	<b>1,935,479</b>	<b>442,640</b>	<b>442,640</b>	<b>2,378,119</b>	<b>2,378,119</b>

On 31 July 2020, the Company completed its initial public offering of 475,719 thousand A shares on the Shanghai Stock Exchange with RMB4.25 per share.

The excess of RMB1,481,233 thousand over the par value of RMB475,719 thousand for the RMB475,719 thousand ordinary shares issued, net of the relevant incremental costs of RMB64,853 thousand directly contributed to the newly issued shares of the Group, was credited to "share premium".

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 38. Share premium and reserves

	Share premium	Surplus reserve <sup>(1)</sup>	General reserve <sup>(2)</sup>	Transaction risk reserve <sup>(2)</sup>	Revaluation reserve	Translation reserve	Other reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2019</b>	2,178,478	500,372	656,340	618,107	-	-	(14,817)	3,938,480
Appropriation to surplus reserve	-	48,589	-	-	-	-	-	48,589
Appropriation to general reserve	-	-	50,489	-	-	-	-	50,489
Appropriation to transaction risk reserve	-	-	-	48,589	-	-	-	48,589
<b>As at 31 December 2019</b>	2,178,478	548,961	706,829	666,696	-	-	(14,817)	4,086,147
<b>As at 1 January 2020</b>	2,178,478	548,961	706,829	666,696	-	-	(14,817)	4,086,147
Issue of new shares	1,481,233	-	-	-	-	-	-	1,481,233
Appropriation to surplus reserve	-	56,792	-	-	-	-	-	56,792
Appropriation to general reserve	-	-	58,359	-	-	-	-	58,359
Appropriation to transaction risk reserve	-	-	-	56,792	-	-	-	56,792
Debt instrument at FVTOCI								
- Net fair value changes during the year	-	-	-	-	(472)	-	-	(472)
- Impairment loss for ECL	-	-	-	-	3,844	-	-	3,844
Translation differences	-	-	-	-	-	(21,351)	-	(21,351)
<b>As at 31 December 2020</b>	<b>3,659,711</b>	<b>605,753</b>	<b>765,188</b>	<b>723,488</b>	<b>3,372</b>	<b>(21,351)</b>	<b>(14,817)</b>	<b>5,721,344</b>

(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 capitalisation is not less than 25% of the registered capital immediately before capitalisation.

(2) General 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.

In accordance with the requirements of the CSRC's guidance about regulating financial institutions in the asset management business for collective asset management business of securities and interim measures on the supervision and administration of risk reserves of securities investment funds publicly raised, the Company appropriates 10% from its management fee income from the collective asset management schemes to the general risk reserve since November 2018.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 39. Bonds in issue

	2020/12/31	2019/12/31
	RMB'000	RMB'000
<b>Current</b>		
Corporate bonds with fixed rate – 2020 <sup>(a)</sup>	–	700,000
Corporate bonds with fixed rate – 2020 <sup>(b)</sup>	–	1,000,000
Corporate bonds with fixed rate – 2020 <sup>(c)</sup>	–	1,000,000
Subordinated bonds with fixed rate – 2021 <sup>(d)</sup>	1,500,000	–
Income certificates <sup>(e)</sup>	1,760,000	300,000
Short term corporate bond <sup>(f)</sup>	1,000,000	–
Short term financing bond <sup>(g)</sup>	2,000,000	1,000,000
Interest payable	219,759	155,028
	<b>6,479,759</b>	<b>4,155,028</b>
<b>Non-Current</b>		
Corporate bonds with fixed rate – 2023 <sup>(h)</sup>	800,000	–
Corporate bonds with fixed rate – 2023 <sup>(i)</sup>	1,500,000	–
Corporate bonds with fixed rate – 2022 <sup>(j)</sup>	1,500,000	–
Corporate bonds with fixed rate – 2022 <sup>(k)</sup>	1,000,000	–
Subordinated bonds with fixed rate – 2021 <sup>(d)</sup>	–	1,500,000
Subordinated bonds with fixed rate – 2022 <sup>(l)</sup>	800,000	800,000
Subordinated bonds with fixed rate – 2023 <sup>(m)</sup>	700,000	–
Subordinated bonds with fixed rate – 2022 <sup>(n)</sup>	1,000,000	–
	<b>7,300,000</b>	<b>2,300,000</b>
	<b>13,779,759</b>	<b>6,455,028</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 39. Bonds in issue – continued

- (a) On 6 February 2018, the company issued RMB700,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 5.65% paid annually.
- (b) On 25 April 2018, 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 5.60% paid annually.
- (c) On 24 August 2017, 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 5.00% paid annually.
- (d) On 29 July 2016, the Company issued RMB1,500,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 5 years and a fixed coupon rate of 3.89% paid annually.
- (e) As at 31 December 2020, income certificates were with a maturity of 90 days to 365 days and bore interest rates ranging from 3.60% to 4.00% per annum paid at maturity. (As at 31 December 2019, the income certificate was with a maturity of 183 days and bore an interest rate of 3.50% per annum paid at maturity).
- (f) On 24 December 2020, the Company issued RMB1,000,000 thousand of Short term corporate bond with a term of 365 days and an interest rate of 3.35% per annum paid at maturity.
- (g) As at 31 December 2020, short term financing bonds were with a maturity of 66 days to 88 days and bore interest rates ranging from 3.15% to 3.20% per annum paid at maturity. (As at 31 December 2019, the short term financing bond was with a maturity of 91 days and bore an interest rate of 3.15% per annum paid at maturity).
- (h) 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.
- (i) 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.
- (j) On 15 April 2020, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 2.88% paid annually.
- (k) On 15 October 2020, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 4.07% paid annually.
- (l) On 27 March 2019, the Company issued RMB800,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.74% paid annually.
- (m) 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.
- (n) On 26 November 2020, the Company issued RMB1,000,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 4.70% paid annually.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 40. Other non-current liabilities

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Margin deposits of derivative contracts	352,892	–

### 41. Lease liabilities

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	57,564	64,725
Within a period of more than one year but not more than two years	47,898	37,147
Within a period of more than two years but not more than five years	59,739	54,250
Within a period of more than five years	10,442	16,528
	175,643	172,650
Less: Amount due for settlement with 12 months shown under current liabilities	(57,564)	(64,725)
Amount due for settlement after 12 months shown under non-current liabilities	118,079	107,925

### 42. Other current liabilities

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Salaries, bonus, allowances and benefits payable (Note 43)	338,242	259,074
Accounts payable	378,890	222,399
Other taxes payable	22,387	16,829
Securities investor protection fund	5,324	3,824
Provisions (Note 51)	1,869	1,869
Margin deposits of derivative contracts	1,139,607	–
Others	42,528	22,672
	1,928,847	526,667

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 43. Payroll and welfare

	1 January 2020 RMB'000	Current year charge RMB'000	Current year payment RMB'000	31 December 2020 RMB'000
Salaries and bonus	258,045	603,235	524,225	337,055
Pension	584	34,318	34,205	697
Other social security	438	43,790	43,746	482
Other welfare	–	12,699	12,699	–
Labour union funds and employee education funds	7	6,397	6,396	8
	<b>259,074</b>	<b>700,439</b>	<b>621,271</b>	<b>338,242</b>

### 44. Contract liabilities

	2020/12/31 RMB'000	2019/12/31 RMB'000
Investment banking service fees received in advance	6,069	3,544
Investment management service fees received in advance	3,243	–
	<b>9,312</b>	<b>3,544</b>

### 45. Due to other financial institutions

	2020/12/31 RMB'000	2019/12/31 RMB'000
Due to China Securities Finance Corporation Limited	300,070	200,285



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 46. Financial assets sold under repurchase agreement

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Analysed by asset type		
– Debt securities	7,223,751	3,692,992
– Funds	1,483,944	–
	<b>8,707,695</b>	3,692,992

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Analysed by market		
– Interbank market	6,226,610	3,115,826
– Shanghai Stock Exchange	2,481,085	577,166
	<b>8,707,695</b>	3,692,992

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Analysed by transaction type:		
– Pledged	8,707,695	3,692,992

As at 31 December 2020 and 2019, 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:

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Financial assets at FVTPL	8,897,930	4,103,880
Debt instruments at FVTOCI	873,358	–
	<b>9,771,288</b>	4,103,880

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 47. Financial liabilities at fair value through profit or loss

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Interests of other holders in consolidated SEs (Note1)	587,293	1,080,462
Income certificates with variable interests (Note2)	311,989	–
	899,282	1,080,462
Analysed for reporting purpose as:		
Non-current liabilities	71,994	–
Current liabilities	827,288	1,080,462
	899,282	1,080,462

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 series of income certificates with variable interests issued by the Group. The series of income certificates are linked to the contracts of CSI 500, CSI 300 and SSE 50, etc. The Group designates the above embedded derivatives and the main contract of income certificate as financial liabilities measured at fair value.

## 48. 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 collaterals received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collaterals stipulated are repayable on demand.

As at 31 December 2020, cash collaterals received from clients for margin financing and securities lending arrangements amounted to RMB1,081,180 thousand (31 December 2019: RMB646,093 thousand), and are included in the Group's accounts payable to brokerage clients.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 49. Cash and cash equivalents

For the purpose of cash flow statements, cash and cash equivalents include amounts that can be used to meet short-term cash commitments.

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Bank balances (Note)	3,279,590	2,755,026
Proprietary clearing settlement funds	698,566	360,068
Cash equivalents		
– Financial assets held under resale agreements with original maturity less than 3 months	2,420,691	847,554
	<b>6,398,847</b>	3,962,648

Note: Bank balances do not include interest receivable from deposits.

## 50. 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 collaterals 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 collaterals from the clients or have to return part of the collaterals 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 2020, the Group's financial assets at FVTPL used for securities lending amounted to RMB 61,482 thousand (31 December 2019: RMB 20,650 thousand).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 50. Transfer of financial assets – continued

#### (2) Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retain substantially all the risks and rewards of these securities.

The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangements.

The following table analyses the carrying amount of the above mentioned financial assets transferred to the third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	2020/12/31		2019/12/31	
	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
Financial assets at FVTPL	8,897,930	(8,707,695)	4,103,880	(3,692,992)
Debt instruments at FVTOCI	873,358		-	
	<b>9,771,288</b>	<b>(8,707,695)</b>	4,103,880	(3,692,992)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 51. Commitments and contingent liabilities

### (1) Capital commitments

As at 31 December 2019, the Group was not involved in any material capital commitments (31 December 2018: 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 totalling 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 2020 (31 December 2019: RMB1,869 thousand).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 52. Reconciliation Of Liabilities Arising From Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bonds in issue RMB'000	Lease Liabilities RMB'000	Dividend Payable RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2019	6,573,522	206,380	–	–	6,779,902
Financing cash flows					
– Additional bonds in issue	2,660,000	–	–	–	2,660,000
– Repayment of bonds in issue	(2,780,000)	–	–	–	(2,780,000)
– Repayment of principal of lease liabilities	–	(69,429)	–	–	(69,429)
– Interest paid	(317,141)	(7,597)	–	–	(324,738)
– Dividends paid	–	–	(95,120)	–	(95,120)
Non-cash changes					
– Interest expenses	318,647	8,996	–	–	327,643
– Dividends declared	–	–	95,120	–	95,120
– New leases	–	34,300	–	–	34,300
At 31 December 2019	6,455,028	172,650	–	–	6,627,678
At 1 January 2020	6,455,028	172,650	–	–	6,627,678
Financing cash flows					
– Additional bonds in issue	17,424,108	–	–	309,950	17,734,058
– Repayment of bonds in issue	(10,164,108)	–	–	–	(10,164,108)
– Repayment of principal of lease liabilities	–	(79,270)	–	–	(79,270)
– Interest paid	(305,819)	(4,906)	–	–	(310,725)
Non-cash changes					
– Interest expenses	370,550	7,332	–	–	377,882
– New leases	–	79,837	–	–	79,837
– Changes of fair value	–	–	–	2,039	2,039
At 31 December 2020	13,779,759	175,643	–	311,989	14,267,391

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 53. Related party transactions

### 53.1 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 RMB8,000,000 thousand. As at 31 December 2020, Guolian Group directly held 22.87% of the equity interest in the Company. In addition, Guolian Group also indirectly held equity interest in Company through its subsidiaries of Guolian Trust Co., Ltd. (“Guolian Trust”), Wuxi Guolian Municipal Electric Power Company (“Wuxi Electric”), Wuxi Yi Mian Textile Group Co., Ltd. (“Yi Mian Textile”), Wuxi Min Sheng Investment Co., Ltd. (“Min Sheng Investment”) and Wuxi Huaguang Environment & Energy Group Co., Ltd. (“Wuxi Huaguang”).

Guolian Trust is the subsidiary of Guolian Group who directly or indirectly held 91.87% of the equity interest. As at 31 December 2020, Guolian Trust held 16.41% of the equity interest in the Company.

Wuxi Electric is an indirectly wholly-owned subsidiary of Guolian Group. As at 31 December 2020, Wuxi Electric held 11.22% of the equity interest in the Company.

Yi Mian Textile is a direct wholly-owned subsidiary of Guolian Group. As at 31 December 2020, Yi Mian Textile held 3.06% of the equity interest in the Company.

Min Sheng Investment is an indirectly wholly-owned subsidiary of Guolian Group. As at 31 December 2020, Min Sheng Investment held 3.09% of the equity interest in the Company.

Wuxi Huaguang is the subsidiary of Guolian Group who directly held 72.11% of the equity interest. As at 31 December 2020, Wuxi Huaguang held 1.22% of the equity interest in the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 53. Related party transactions – continued

### 53.1 Transactions and balances with the Company's controlling shareholder – Guolian Group – continued

#### Transactions during the year

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Income from providing securities brokerage services	1	<1
Income from providing asset management services	69	50
Income from providing bond underwriting services	3,962	13,019

#### Balances at the end of the year

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Cash held for brokerage clients	5	7,995



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 53. Related party transactions – continued

### 53.2 Other related party transactions and balances

The table below lists the Group's other significant related parties and the Group's major shareholders as at 31 December 2020.

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
Wuxi Guolian Investment Co., Ltd.	Fellow subsidiary
Wuxi Guolian Industrial Investment Group Co., Ltd. ("Guolian Industrial Investment")	Fellow subsidiary
Jiangsu Asset Management Co., Ltd.	Fellow subsidiary
Wuxi Equity Exchange Co., Ltd.	Fellow subsidiary
Wuxi Taigong Sanatorium Co., Ltd. ("Taigong Sanatorium")	Fellow subsidiary
Wuxi Sunan International Airport Co., Ltd. ("Sunan International Airport")	Fellow subsidiary
Guolian Life Insurance Co., Ltd.	Associate invested by the controlling shareholder of the Company
Zhonghai Fund Management Co., Ltd.	Associate invested by the Group
Wuxi State-Owned Assets Supervision and Administration Committee ("Wuxi SASAC")	Controlling shareholder of Guolian Group
Wuxi Rural Commercial Bank ("WRCB")	The director of the Company acts as a director of WRCB
CITIC Securities Co., Ltd. ("CITIC") (Note)	The director of the Company acted as a senior management personnel of CITIC
China Asset Management Co., Ltd ("China AMC") (Note)	The director of the Company acted as a director of China AMC

Note: Mr Ge Xiaobo has been appointed as the director of the Company since 13 June 2019. Mr Ge acted as senior management personnel of CITIC and director of China AMC and resigned on 8 April 2019 and 28 June 2019, therefore CITIC was deemed as the related party of the Company during the period from 13 June 2019 to 7 April 2020 and China AMC was deemed as the related party of the Company from 13 June 2019 to 27 June 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 53. Related party transactions – continued

### 53.2 Other related party transactions and balances – continued

#### Transactions during the year

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Income from providing securities brokerage services		
– Guolian Trust	106	3,624
– Zhonghai Fund Management Co., Ltd.	3,354	3,110
– Guolian Futures	671	581
– Guolian Industrial Investment	153	–
– Wuxi Guolian Investment Co., Ltd.	–	428
– China AMC	3,020	765
– Guolian Life Insurance Co., Ltd.	33	86
– Others	1,038	963
Income from providing bond underwriting services		
– Jiangsu Asset Management Co., Ltd.	7,925	–
Income from providing financial advisory services		
– Wuxi Huaguang	278	265
– Guolian Trust	3,308	2,208
– Sunan International Airport	47	–
– Others	–	472
Income from providing asset management services		
– Jiangsu Asset Management Co., Ltd.	3,775	616
– Guolian Life Insurance Co., Ltd.	192	242
– Taigong Sanatorium	37	–
– Guolian Futures	75	–
– Others	74	482
Rental income		
– Guolian Life Insurance Co., Ltd.	439	1,653
– Guolian Futures	893	1,036
Rental expense		
– Jiangsu Asset Management Co., Ltd.	1,178	574
– Others	–	504
Interest expense of lease liabilities		
– Guolian Xincheng	1,713	2,159
– Guolian Life Insurance Co., Ltd.	562	606
– Jiangsu Asset Management Co., Ltd.	–	3
Expense for receiving services		
– Guolian Property Management	4,639	3,649
– Guolian Life Insurance Co., Ltd.	782	12
– Guolian Futures	248	882
– Taigong Sanatorium	4	69
– Others	140	213

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 53. Related party transactions – continued

### 53.2 Other related party transactions and balances – continued

#### Balances at the end of the year

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Accounts payable		
– Guolian Futures	80	80
– Guolian Life Insurance Co., Ltd.	50	50
Lease liabilities		
– Guolian Xincheng	31,375	42,606
– Guolian Life Insurance Co., Ltd.	9,813	10,632
Contract liabilities		
– Jiangsu Asset Management Co., Ltd.	1,009	113
Other receivable		
– Guolian Xincheng	479	479
– Guolian Property Management	180	180
Clearing settlement funds		
– Guolian Futures	66,797	14,768
Refundable deposits		
– Guolian Futures	4,878	–
Cash held for brokerage clients		
– Guolian Trust	66	195
– Zhonghai Fund Management Co., Ltd.	<1	<1
– Guolian Industrial Investment	11	12,638
– Others	17,252	55,001

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 53. Related party transactions – continued

### 53.2 Other related party transactions and balances – continued

As at 31 December 2020, the Group didn't hold any share issued by related parties or any wealth management products issued by related parties. (2019: the Group held shares issued by CITIC with carrying amount of RMB 243 thousand and wealth management products issued by China AMC with carrying amount of RMB 55,464 thousand).

For the year ended 2020, the Group's bond transactions with China AMC amounted to RMB138,889 thousand (2019: the Group's bond transactions with CITIC and products managed by China AMC amounted to RMB141,440 thousand and RMB31,198 thousand respectively).

For the year ended 2020, the product managed by WRCB subscribed the subordinated bonds issued by the Group, amounted to RMB 50,000 thousand (2019: Nil).

### 53.3 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.

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Short term employee benefits	26,818	15,701
Post-employment benefits	808	795
	<b>27,626</b>	16,496

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management

### 54.1 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 Guolian Securities (Trial)", which specifies the Company's risk management objectives, principles, organizational structure, authorization system, related responsibilities and relevant procedures, etc.; and has formulated the "Guolian Securities Liquidity Risk Management Measures", "Guolian Securities Liquidity Risk Contingency Plan", "Guolian Securities Market Risk Management Measures", "Guolian Securities Credit Risk Management Measures", and "Guolian Securities Operational Risk Management Measures" for different types of risks, which standardized 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".

## 54. Financial risk management – continued

### 54.1 Summary – continued

The Company has established a comprehensive and multi-level risk management system including the Board of Directors and risk control committee, management and risk management committees, risk management departments, business departments, and risk management organizations in the branches. The Company's Board of Directors takes the ultimate responsibility for the Company's risk management and authorizes the risk control committee to be fully responsible for the Company's risk management work; 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.

### 54.2 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 etc, and OTC derivative business and etc.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management – continued

### 54.2 Credit risk – continued

In terms of the fixed-income investment business, the Company has established a pool of target bonds, conducted necessary due diligence and provided internal ratings for the bonds that will be traded or used in spot transactions, repurchase transactions, forwards, and lending transactions. The Company established multi-level mechanism of internal approval. For the pool of target bonds, the Company has established the tracking mechanism on a regular or irregular basis, to continuously track changes in credit status. Meanwhile, the Company has established a credit risk indicator system such as concentration of single issuer, industry concentration and etc.

In terms of the financing business, the Company has established a strict layered review and evaluation mechanism, and formed a multi-level approval and authorization mechanism. The Company assesses the credit standing of the borrower by analysing the shareholder's background, operating conditions, and financial status. As for the evaluation of the collateral to be pledged, the quality of the collateral is analysed through a combination of qualitative and quantitative methods, and based on its liquidity index, market performance and other indicators that can be quantitatively measured. The Company has established a multi-dimensional financing business indicator system, including concentration indicators, loan-to-collateral ratio, early warning of closing position, ceilings of pledge ratio, and facility limit, etc., and manages credit risk exposure through timely mark-to-market method.

In terms of the credit risk of counterparties, the Company has developed rating criteria for counterparties and established a counterparty white list to manage counterparties' facility and limit according to their risk levels. The Company regularly, annually at least, updates the white list of counterparties, and adjusts the ratings of counterparties with consideration of any negative public media reports. In addition, the Company manages the credit risk exposures by means of mark-to-market, margin call or forced liquidation.

The credit risk of the Group also comes from the securities business. If the customer fails to deposit sufficient funds for trading, the Group may need to use its own funds to complete the settlement of the transactions. The Group requires customers to deposit the funds required for transactions in full before settlement to reduce related credit risks.

## 54. Financial risk management – continued

### 54.2 Credit risk – continued

#### 54.2.1 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 moves to Stage 1 where there has been low risk of default or has not been a significant increase in credit risk. The Group will continuously monitor its credit risk.
- An asset moves to 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 moves to 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 correspond to the amount of expected credit losses for the entire life time resulting from possible defaults within the next 12 months. 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management – continued

### 54.2 Credit risk – continued

#### 54.2.1 Expected credit loss – continued

For the factors the Group considers whether credit risk increases significantly, 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 next 12 months or throughout the remaining life time.
- EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life time.
- LGD is an estimate of the loss arising on default.

The expected credit losses are measured based on the probability weighted results of PD, EAD and LGD.

During the year ended 31 December 2020, no significant changes were made in the techniques of estimation or key assumptions.

## 54. Financial risk management – continued

### 54.2 Credit risk – continued

#### 54.2.1 Expected credit loss – continued

The assessment of significant increase in credit risk and the measurement of expected credit losses all involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators affecting the credit risk and expected credit losses of each asset portfolio. Key economic indicators include macroeconomic indicators and indicators that can reflect market volatility. Estimates of the predicted values and the likelihood of occurrence are highly inherently uncertain, so the actual results may differ significantly from the predictions. The Group believes that these projections reflect the best estimates of the Group on the possible results.

For the year ended 31 December 2020, the important macroeconomic assumptions used by the Group in the forward-looking model include the cumulative growth rate of GDP at constant price, the growth rate of the consumer price index, and the growth rate of the factory price index of industrial products. Among which:

- Cumulative growth rate of GDP at constant price: the forecast rate at the year end of 2021 ranges between 7.08% to 9.08%;
- Growth rate of the consumer price index: the forecast rate at the year end of 2021 ranges between 0.81% and 1.45%;
- Growth rate of factory price index of industrial products: the forecast rate at the year end of 2021 ranges from 1.18% to 2.90%.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management – continued

### 54.2 Credit risk – continued

#### 54.2.1 Expected credit loss – continued

For the year ended 31 December 2020, the macroeconomic forward-looking adjustment factors used by the Group in the evaluation of the expected credit loss measurement model have considered the impact of COVID-19 epidemic and the instability of the international economic situation on the domestic macro economy. To be prudent, the Group has determined a higher weight for the 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 RMB 516 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.

#### 54.2.2 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:

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Refundable deposits	236,637	64,634
Other current assets	967,020	100,919
Margin accounts receivable	8,413,066	4,638,397
Financial assets held under resale agreements	4,127,519	3,426,927
Financial assets at FVTPL		
– Debt securities	10,963,616	6,736,418
– Asset Backed Securities	388,815	220,084
Debt instrument at FVTOCI	1,678,037	–
Financial derivative assets	77,644	–
Clearing settlement funds	2,511,606	2,100,538
Cash held for brokerage clients	7,449,016	6,547,713
Cash and bank balances	3,281,366	2,757,258
	<b>40,094,342</b>	<b>26,592,888</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management – continued

### 54.2 Credit risk – continued

#### 54.2.3 Credit rating of debt investment

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 2020		
AAA	581,767	3,774,190
AA- to AA+	397,400	2,579,872
Unrated	698,870	4,998,370
	<b>1,678,037</b>	<b>11,352,432</b>
31 December 2019		
AAA		2,350,174
AA- to AA+		1,281,434
A-1		342,192
Unrated		2,982,702
		<b>6,956,502</b>

### 54.3 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management – continued

### 54.3 Market risk – continued

#### 54.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group utilises sensitivity analysis as the main tool for monitoring interest rate risk and measuring the impact of a reasonable and possible change of interest rate on its total profit and equity, assuming all other variables remain unchanged.

The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

As at 31 December 2020	Within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
<b>Financial assets</b>						
Refundable deposits	-	-	-	-	236,637	236,637
Other assets	-	-	-	-	967,020	967,020
Margin accounts receivable	3,434,500	4,978,566	-	-	-	8,413,066
Financial assets held under resale agreements	2,824,585	1,278,096	24,838	-	-	4,127,519
Financial assets at FVTPL	694,944	3,166,863	6,635,445	623,426	5,834,413	16,955,091
Debt instruments at FVTOCI	-	-	534,336	1,116,064	27,637	1,678,037
Financial derivative assets	-	-	-	-	77,644	77,644
Clearing settlement funds	2,511,606	-	-	-	-	2,511,606
Cash held for brokerage clients	7,449,016	-	-	-	-	7,449,016
Cash and bank balances	3,111,366	170,000	-	-	-	3,281,366
	<b>20,026,017</b>	<b>9,593,525</b>	<b>7,194,619</b>	<b>1,739,490</b>	<b>7,143,351</b>	<b>45,697,002</b>
<b>Financial liabilities</b>						
Bonds in issue	(2,948,259)	(3,358,097)	(7,473,402)	-	-	(13,779,758)
Other liabilities	-	-	-	-	(1,918,230)	(1,918,230)
Financial assets sold under repurchase agreement	(8,707,695)	-	-	-	-	(8,707,695)
Financial liabilities at FVTPL	-	-	-	-	(899,282)	(899,282)
Financial Derivative liabilities	-	-	-	-	(116,584)	(116,584)
Accounts payable to brokerage clients	(9,327,198)	-	-	-	-	(9,327,198)
Lease liabilities	(14,882)	(42,682)	(107,637)	(10,442)	-	(175,643)
Due to other financial institutions	(300,070)	-	-	-	-	(300,070)
	<b>(21,298,104)</b>	<b>(3,400,779)</b>	<b>(7,581,039)</b>	<b>(10,442)</b>	<b>(2,934,096)</b>	<b>(35,224,460)</b>
Interest rate sensitivity gap	<b>(1,272,087)</b>	<b>6,192,746</b>	<b>(386,420)</b>	<b>1,729,048</b>	<b>4,209,255</b>	<b>10,472,542</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management – continued

### 54.3 Market risk – continued

#### 54.3.1 Interest rate risk – continued

As at 31 December 2019	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	-	-	-	-	64,634	64,634
Other assets	-	-	-	-	100,919	100,919
Margin accounts receivable	2,115,474	2,522,923	-	-	-	4,638,397
Financial assets held under resale agreements	1,614,306	1,399,991	412,630	-	-	3,426,927
Financial assets at FVTPL	127,613	2,433,046	3,713,955	576,272	1,372,060	8,222,946
Clearing settlement funds	2,100,538	-	-	-	-	2,100,538
Cash held for brokerage clients	6,547,713	-	-	-	-	6,547,713
Cash and bank balances	2,692,258	65,000	-	-	-	2,757,258
	15,197,902	6,420,960	4,126,585	576,272	1,537,613	27,859,332
<b>Financial liabilities</b>						
Bonds in issue	(2,044,682)	(2,056,318)	(2,354,028)	-	-	(6,455,028)
Other liabilities	-	-	-	-	(247,894)	(247,894)
Financial assets sold under repurchase agreement	(3,692,992)	-	-	-	-	(3,692,992)
Financial liabilities at FVTPL	-	-	-	-	(1,080,462)	(1,080,462)
Accounts payable to brokerage clients	(8,212,333)	-	-	-	-	(8,212,333)
Lease liabilities	(17,111)	(47,614)	(91,397)	(16,528)	-	(172,650)
Due to other financial institutions	-	(200,285)	-	-	-	(200,285)
	(13,967,118)	(2,304,217)	(2,445,425)	(16,528)	(1,328,356)	(20,061,644)
Interest rate sensitivity gap	1,230,784	4,116,743	1,681,160	559,744	209,257	7,797,688

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management – continued

### 54.3 Market risk – continued

#### 54.3.1 Interest rate risk – continued

##### *Sensitivity analysis*

The following table illustrates the potential impact, of a parallel upward or downward shift of 25 basis points in interest rate curves on the Group's net profit and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of the reporting period.

The sensitivity analysis on net profit and other comprehensive income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, basis risk or any prepayment options on debt securities into consideration. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallel yield curve movements.

The Group believes that above assumption does not represent the Group's policy on the use of funds and interest rate risk management, so the impact of sensitivity analysis may vary according to the actual situation.

In addition, the above analysis of the impact of changes in interest rate is only an illustrative example, showing the estimated changes in net profit and other comprehensive income under various expected situations and the current interest rate risk position of the Group. However, the impact did not consider the risk management activities that the management might take to reduce interest rate risk.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management – continued

### 54.3 Market risk – continued

#### 54.3.1 Interest rate risk – continued

##### *Sensitivity analysis – continued*

	2020/12/31	2019/12/31
	RMB'000	RMB'000
<b>Net profit</b>		
Increase by 25 bps	24,520	5,997
Decrease by 25 bps	(24,292)	(5,713)
<b>Other comprehensive income</b>		
Increase by 25 bps	(2,253)	–
Decrease by 25 bps	2,267	–

#### 54.3.2 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 subsidiary 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 2020, assuming other variables remain unchanged, if foreign currencies appreciate or depreciate by 1% against RMB, the Group's net profit in 2020 will decrease or increase by RMB1,144 thousand (2019: RMB3,842 thousand).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management – continued

### 54.3 Market risk – continued

#### 54.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity securities, investment funds, convertible bonds, exchangeable bonds, derivatives and collective asset management scheme whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

#### *Sensitivity analysis*

The analysis below shows the impact on profit after income tax and equity due to change in the prices of financial assets, including stocks, funds, derivatives and collective asset management schemes by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit after income tax and shareholders' equity, while a negative result indicates otherwise.

	2020/12/31	2019/12/31
	RMB'000	RMB'000
<b>Profit after income tax</b>		
Increase by 10%	391,131	94,983
Decrease by 10%	(391,131)	(94,983)

## 54. Financial risk management – continued

### 54.4 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 2020 the Group held cash and cash equivalents of approximately RMB6,398,847 thousand (31 December 2019: RMB3,962,648 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 RMB14,144,755 thousand which was presented as current assets as at 31 December 2020 (31 December 2019: RMB8,105,403 thousand), and could be realised within one year to provide a further source of cash if the need arose.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management – continued

### 54.4 Liquidity risk – continued

The tables below present the cash flows payable by the Group for non-derivative financial assets and liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of the reporting period.

As at 31 December 2020	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	12,023	44,848	86,049	524,587	302,103	2,058	-	971,668
Margin accounts receivable	-	1,191,421	2,309,380	5,103,575	-	-	-	8,604,376
Financial assets held under resale agreements	-	2,685,453	197,955	1,354,742	28,346	-	-	4,266,496
Financial assets at FVTPL	-	218,383	639,006	3,606,781	7,465,799	729,588	5,602,660	18,262,217
Debt instruments at FVTOCI	-	3,510	10,579	47,793	768,902	1,264,785	-	2,095,569
Clearing settlement funds	2,511,606	-	-	-	-	-	-	2,511,606
Refundable deposits	-	153,995	-	-	-	1,726	80,916	236,637
Cash held for brokerage clients	7,449,016	-	-	-	-	-	-	7,449,016
Cash and bank balances	2,871,366	70,160	172,460	172,664	-	-	-	3,286,650
	<b>12,844,011</b>	<b>4,367,770</b>	<b>3,415,429</b>	<b>10,810,142</b>	<b>8,565,150</b>	<b>1,998,157</b>	<b>5,683,576</b>	<b>47,684,235</b>
<b>Derivative financial instruments</b>								
Net inflow	-	235	10,848	48,137	18,424	-	-	77,644
	<b>12,844,011</b>	<b>4,368,005</b>	<b>3,426,277</b>	<b>10,858,279</b>	<b>8,583,574</b>	<b>1,998,157</b>	<b>5,683,576</b>	<b>47,761,879</b>
<b>As at 31 December 2020</b>								
<b>Non-derivative financial liabilities</b>								
Other current liabilities	-	450,239	60,050	1,047,393	354,279	2,844	3,428	1,918,233
Bonds in issue	-	1,376,035	1,738,934	3,574,177	7,702,400	-	-	14,391,546
Financial assets sold under repurchase agreement	-	8,720,179	-	-	-	-	-	8,720,179
Financial liabilities at FVTPL	465,540	32,204	171,120	97,932	71,994	-	60,492	899,282
Lease liabilities	-	7,463	10,650	47,459	115,004	11,240	-	191,816
Accounts payable to brokerage clients	9,327,198	-	-	-	-	-	-	9,327,198
Due to other financial institutions	-	302,123	-	-	-	-	-	302,123
	<b>9,792,738</b>	<b>10,888,243</b>	<b>1,980,754</b>	<b>4,766,961</b>	<b>8,243,677</b>	<b>14,084</b>	<b>63,920</b>	<b>35,750,377</b>
<b>Derivative financial instruments</b>								
Net outflow	-	1,634	2,952	90,154	21,077	523	244	116,584
	<b>9,792,738</b>	<b>10,889,877</b>	<b>1,983,706</b>	<b>4,857,115</b>	<b>8,264,754</b>	<b>14,607</b>	<b>64,164</b>	<b>35,866,961</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management – continued

### 54.4 Liquidity risk – continued

As at 31 December 2019	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 current assets	-	81,397	7,457	5,797	8,265	817	-	103,733
Margin accounts receivable	-	635,245	1,528,058	2,594,817	-	-	-	4,758,120
Financial assets held under resale agreements	-	1,052,079	644,881	1,511,471	455,726	-	-	3,664,157
Financial assets at FVTPL	-	69,158	105,466	2,645,005	4,172,485	675,937	1,272,763	8,940,814
Clearing settlement funds	2,100,538	-	-	-	-	-	-	2,100,538
Refundable deposits	550	62,229	-	-	-	1,843	12	64,634
Cash held for brokerage clients	6,547,713	-	-	-	-	-	-	6,547,713
Cash and bank balances	1,503,518	752,496	440,414	65,644	-	-	-	2,762,072
	10,152,319	2,652,604	2,726,276	6,822,734	4,636,476	678,597	1,272,775	28,941,781
<b>As at 31 December 2019</b>								
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-derivative financial liabilities</b>								
Other current liabilities	-	39,085	195,142	4,624	4,659	4,384	-	247,894
Bonds in issue	-	1,007,854	1,044,814	2,202,270	2,434,190	-	-	6,689,128
Financial assets sold under repurchase agreement	-	3,694,077	-	-	-	-	-	3,694,077
Financial liabilities at FVTPL	676,664	8,911	-	286,474	-	-	108,413	1,080,462
Accounts payable to brokerage clients	8,212,333	-	-	-	-	-	-	8,212,333
Lease liabilities	-	8,504	11,296	52,262	101,105	18,083	-	191,250
Due to other financial institutions	-	-	-	203,259	-	-	-	203,259
	8,888,997	4,758,431	1,251,252	2,748,889	2,539,954	22,467	108,413	20,318,403

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 54. Financial risk management – continued

### 54.5 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2020) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- The ratio of core net capital divided by total assets shall be no less than 8%;
- The ratio of quality current assets divided by net cash used in next thirty days shall be no less than 100%;
- The ratio of stable funding available divided by stable funding required shall be no less than 100%.

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 55. 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.

### 55.1 Financial instruments not measured at fair value

The Group's fair value of the bonds in issue as at 31 December 2020 was amounted to RMB13,534,170 thousand (31 December 2019: RMB6,631,927 thousand), and the carrying amount was RMB13,779,759 thousand (December 31, 2019: 6,455,028 thousand). The Group uses the discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity to evaluate the fair value of the bonds in issue.

Except above bonds in issue, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statement of consolidated financial position approximate their fair values.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 55. Fair value of financial assets and liabilities – continued

#### 55.2 Financial instruments measured at fair value

As at 31 December 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Financial assets at FVTPL				
– Debt instruments	–	11,183,357	169,075	11,352,432
– Equity instruments	961,452	4,489,840	151,368	5,602,660
Debt instruments at FVTOCI	–	1,678,037	–	1,678,037
Derivative financial assets	–	53,226	24,419	77,645
<b>Total</b>	<b>961,452</b>	<b>17,404,460</b>	<b>344,862</b>	<b>18,710,774</b>
<b>Liabilities</b>				
Financial liabilities at FVTPL				
– Interests of other holders of consolidated structured entities	–	–	(587,293)	(587,293)
– Income certificates with variable interests	–	–	(311,989)	(311,989)
Derivative financial liabilities	(243)	(71,571)	(44,770)	(116,584)
<b>Total</b>	<b>(243)</b>	<b>(71,571)</b>	<b>(944,052)</b>	<b>(1,015,866)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 55. Fair value of financial assets and liabilities – continued

#### 55.2 Financial instruments measured at fair value – continued

As at 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– Debt instruments	–	6,956,502	–	6,956,502
– Equity instruments	565,486	596,721	104,238	1,266,445
<b>Total</b>	<b>565,486</b>	<b>7,553,223</b>	<b>104,238</b>	<b>8,222,947</b>
Liabilities				
Financial liabilities at FVTPL				
– Interests of other holders of consolidated structured entities	–	–	(1,080,462)	(1,080,462)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>(1,080,462)</b>	<b>(1,080,462)</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 55. Fair value of financial assets and liabilities – continued

### 55.2 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 2020 and 2019.

Financial assets/liabilities	As at 31 December 2020	As at 31 December 2019	Valuation technique(s) and key input(s)
<b>Financial assets at FVTPL</b>			
– Bonds	10,794,541	6,736,418	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bond.
– Asset backed securities	388,815	220,084	Discounted future cash flow estimated based on expected recoverable amounts at rates that reflect credit risk of securities.
– Equity securities listed on National Equities Exchange and Quotation	22,637	33,352	Recent transaction prices.
– Other investment funds	1,504,993	283,319	Net asset value as published by the fund manager.
– Collective asset management schemes	424,148	214,042	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	295,243	66,007	Discounted future cash flows estimated based on expected return that reflect the credit risk of the products.
– Private equity funds	2,080,354	–	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Trust schemes	162,464	–	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
<b>Financial assets at FVTOCI</b>			
– Bonds	1,678,037	–	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>			
– Interest rate & return swaps	53,225	–	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 & return swaps	(71,571)	–	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 2020

## 55. Fair value of financial assets and liabilities – continued

### 55.2 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 2020 and 2019.

Financial assets/liabilities	As at 31 December 2020	As at 31 December 2019	Valuation technique(s) and key input(s)
<b>Financial assets at FVTPL</b>			
– Collective asset management schemes	2,695	4,496	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.
– Bonds	169,075	–	Discounted cash flow method. The future cash flow is estimated based on the expected recoverable amount and discounted at the interest rate reflecting the credit risk of the bond.
– Unlisted equity investments	140,675	99,742	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 stock	7,999	–	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	24,419	–	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.
<b>Financial liabilities at FVTPL</b>			
– Interests of other holders of consolidated structured entities	(587,293)	(1,080,462)	Calculated based on the fair value of the underlying investments and other inputs management considers to be appropriate.
– Income certificates with variable interests	(311,989)	–	The fair value of the income certificate is the sum of the fair value of embedded option and the discounted future cash flows from the host contract of the debt instrument.
<b>Derivative financial liabilities</b>			
– OTC options	(44,770)	–	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 55. Fair value of financial assets and liabilities – continued

### 55.2 Financial instruments measured at fair value – continued

#### Financial instruments in Level 3 – continued

Financial assets/liabilities	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
<b>Financial assets at FVTPL</b>			
– Collective asset	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>
– Bonds	Level 3	<ul style="list-style-type: none"> <li>Discount rates reflecting the credit risk of the bond.</li> </ul>	<ul style="list-style-type: none"> <li>The lower the discount rate, the higher the fair value.</li> </ul>
– Unlisted equity investment	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>
– Restricted stock	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>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>
<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 2020

### 55. Fair value of financial assets and liabilities – continued

#### 55.2 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 2020 and 2019.

	Financial assets at FVTPL – Collective asset Management scheme	Financial assets at FVTPL – Bonds	Financial assets at FVTPL – Unlisted equity investments	Financial assets at FVTPL – Restricted stock	Derivative financial assets – OTC options	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2020</b>	4,496	-	99,742	-	-	104,238
Fair value change	1,545	(36,443)	22,419	3,435	24,419	15,375
Transfers into level 3	-	30,058	-	4,564	-	34,622
Increase	-	175,460	18,514	-	-	193,974
Decrease	(3,346)	-	-	-	-	(3,346)
<b>Balance at 31 December 2020</b>	<b>2,695</b>	<b>169,075</b>	<b>140,675</b>	<b>7,999</b>	<b>24,419</b>	<b>344,863</b>

For the year ended 31 December 2020, 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 2 to level 3. As at 31 December 2020, fair value of these financial instruments amounted to RMB 34,622 thousand and there was no transfers between level 1 and level 2 (2019: there was no transfer between the fair value hierarchies of the Group).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 55. Fair value of financial assets and liabilities – continued

#### 55.2 Financial instruments measured at fair value – continued

##### Financial instruments in Level 3 – continued

	Financial liabilities at FVTPL – Interests of other holders of consolidated structured entities RMB'000	Financial liabilities at FVTPL – Income certificates with variable interests RMB'000	Derivative financial liabilities – OTC options RMB'000	Total RMB'000
Balance at 1 January 2020	1,080,462	–	–	1,080,462
Losses recognized in profit or loss	2,404	2,039	44,770	49,213
Increase	1,416,062	309,950	–	1,726,012
Decrease	(1,911,635)	–	–	(1,911,635)
<b>Balance at 31 December 2020</b>	<b>587,293</b>	<b>311,989</b>	<b>44,770</b>	<b>944,052</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 56. Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting agreements:

	As at 31 December 2020				
	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	Net amount of Financial assets/ (liabilities) presented in the statements of financial position RMB'000
Derivative financial instruments	-	4,284	(4,284)	(4,284)	-

The Group has entered into master netting arrangements with counterparties for the future contracts and also with clearing house for un-settled trades. As at 31 December 2019, 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 agreement, margin accounts receivable and etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position.

### 57. Unconsolidated structured entities

Unconsolidated structured entities of the Group mainly include asset management schemes managed by the Group, asset management schemes, investment funds, wealth management products, private equity funds and etc. which the Group invests in but does not act as a manager.

Except for the structured entities that the Group has consolidated, in the opinion of the directors of the Company, the variable returns the Group exposed to the structured entities that the Group has interests in are not significant. The Group did not consider itself being the principal and consequently did not consolidate these structured entities.

The total assets of unconsolidated asset management schemes managed by the Group amounted to RMB35,751,667 thousand as at 31 December 2020 (31 December 2019: RMB37,204,787 thousand).

As at 31 December 2020 and 2019, the interests in unconsolidated structured entities held by the Group included asset management schemes, wealth management products, investment funds, trust schemes, private equity fund and asset backed securities that were classified as financial assets at FVTPL, and limited partnership classified as interests in associates.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 57. Unconsolidated structured entities – continued

The related carrying amounts and the maximum exposure of interests in unconsolidated structured entities managed by the Group were as follows:

	2020 RMB'000	2019 RMB'000
Asset management schemes	37,260	17,801
Limited partnership	19,678	–
<b>Total</b>	<b>56,938</b>	17,801

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:

	2020/12/31 RMB'000	2019/12/31 RMB'000
Investment funds	1,600,094	321,740
Wealth management products	295,243	66,007
Asset management schemes	389,583	200,737
Asset backed securities	388,815	220,084
Limited Partnership	4,237	3,999
Private equity funds	2,080,354	–
Trust schemes	162,464	–
<b>Total</b>	<b>4,920,790</b>	812,567

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 57. Unconsolidated structured entities – continued

For the years ended 31 December 2020 and 2019, the income from these unconsolidated structured entities held and/or managed by the Group was as follows:

	2020	2019
	RMB'000	RMB'000
Net investment gains	38,579	31,179
Fee and commission income	72,676	66,256
	111,255	97,435

## 58. Subsequent events

### Offering of corporate bonds

On 3 February 2021, the Company issued RMB1,000,000 thousand of short term financing bond with a term of 86 days and an interest rate of 3.18% per annum paid at maturity.

On 15 March 2021, the Company issued RMB1,000,000 thousand of corporate bond with a term of 3 years and a fixed coupon rate of 3.70% paid annually.

### Non-public offering of A shares

On 5 February 2021, the Company issued an announcement, which intends to offer no more than 475,623,800 A-shares to no more than 35 specific investors in a non-public offering with the total amount of fund raised not exceeding RMB 6.5 billion. On 1 March 2021, the above proposal was approved by the second extraordinary general meeting of shareholders of the Company.

### Profit distribution

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of RMB 1.2 (taxes inclusive) for every 10 shares, based on the Company's existing share capital of 2,378,119 thousand shares, in an aggregate amount of RMB285,374 thousand, has been proposed by the Board resolution dated 18 March 2021 and is subject to approval by the shareholders in the forthcoming general meeting.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 59. Statement of financial position and reserve movement of the company

#### Statement of financial position of the Company

	2020/12/31	2019/12/31
	RMB'000	RMB'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property and equipment	87,593	86,680
Right-of-use assets	137,522	149,190
Intangible assets	59,125	50,217
Investments in subsidiaries	1,361,430	1,087,600
Investments in consolidated structured entities	2,003,570	100,173
Investment in associates	100,667	100,202
Other non-current assets	28,695	37,309
Financial assets held under resale agreements	24,838	412,630
Financial assets at fair value through profit or loss	280,722	110,026
Derivative financial assets	18,424	–
Debt instruments at fair value through other comprehensive income	1,678,037	–
Refundable deposits	234,264	64,222
Deferred income tax assets	24,241	34,775
<b>Total non-current assets</b>	<b>6,039,128</b>	<b>2,233,024</b>
<b>Current assets</b>		
Other current assets	968,252	89,150
Margin accounts receivable	8,413,066	4,638,397
Financial assets held under resale agreements	3,820,735	2,405,959
Derivative financial assets	59,221	–
Financial assets at fair value through profit or loss	13,287,346	7,103,751
Clearing settlement funds	2,507,990	2,091,545
Cash held for brokerage clients	7,449,016	6,547,713
Cash and bank balances	2,548,286	1,935,348
<b>Total current assets</b>	<b>39,053,912</b>	<b>24,811,863</b>
<b>Total assets</b>	<b>45,093,040</b>	<b>27,044,887</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 59. Statement of financial position and reserve movement of the company – continued

#### Statement of financial position of the Company – continued

	2020/12/31	2019/12/31
	RMB'000	RMB'000
<b>Equity and liabilities</b>		
Share capital	2,378,119	1,902,400
Share premium	3,639,707	2,177,342
Reserves	2,097,801	1,922,486
Retained earnings	2,336,324	1,940,345
<b>Total equity</b>	<b>10,451,951</b>	<b>7,942,573</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Bond in issue	7,275,224	2,293,011
Lease liabilities	94,788	104,967
Derivative financial liabilities	21,843	–
Financial liabilities at fair value through profit or loss	71,994	–
<b>Total non-current liabilities</b>	<b>7,463,849</b>	<b>2,397,978</b>
<b>Current liabilities</b>		
Other current liabilities	2,160,287	406,869
Current income tax liabilities	24,263	–
Lease liabilities	43,114	45,007
Bonds in issue	6,478,570	4,152,956
Contract liabilities	4,338	893
Derivative financial liabilities	94,740	–
Accounts payable to brokerage clients	9,327,198	8,212,333
Financial assets sold under repurchase agreements	8,504,665	3,685,993
Financial liabilities at fair value through profit or loss	239,995	–
Due to other financial institutions	300,070	200,285
<b>Total current liabilities</b>	<b>27,177,240</b>	<b>16,704,336</b>
<b>Total liabilities</b>	<b>34,641,089</b>	<b>19,102,314</b>
<b>Total equity and liabilities</b>	<b>45,093,040</b>	<b>27,044,887</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

### 59. Statement of financial position and reserve movement of the company – continued

#### Reserve movement of the Company

	Reserve RMB'000	Retained earnings RMB'000
<b>Balance at 1 January 2019</b>	1,774,819	1,697,240
Profit for the year	–	485,892
<b>Total comprehensive income</b>	1,774,819	2,183,132
Dividends recognized as distribution	–	(95,120)
Appropriation to reserves	147,667	(147,667)
<b>Balance at 31 December 2019</b>	<b>1,922,486</b>	<b>1,940,345</b>
Profit for the year	–	567,922
Other comprehensive income for the year	3,372	–
<b>Total comprehensive income</b>	<b>3,372</b>	<b>567,922</b>
Dividends recognized as distribution	–	–
Appropriation to reserves	171,943	(171,943)
<b>Balance at 31 December 2020</b>	<b>2,097,801</b>	<b>2,336,324</b>