



中信建投証券股份有限公司 CSC FINANCIAL CO., LTD.

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

Stock Code: 6066

2021
Annual Report

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DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this annual report:

“A Share(s)”	listed domestic shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the Shanghai Stock Exchange and traded in RMB
“Articles of Association” or “Articles”	the articles of association of the Company
“Beijing Financial Holdings Group”	Beijing Financial Holdings Group Limited (北京金融控股集團有限公司)
“Board” or “Board of Directors”	the Board of Directors of our Company
“BSCOMC”	Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心)
“Central Huijin”	Central Huijin Investment Limited (中央匯金投資有限責任公司)
“China Securities Capital”	China Capital Management Limited (中信建投資本管理有限公司)
“China Securities Funds”	China Securities Funds Management Limited (中信建投基金管理有限公司)
“China Securities Futures”	China Futures Co., Ltd. (中信建投期貨有限公司)
“China Securities International”	China Securities (International) Finance Holding Company Limited (中信建投(國際)金融控股有限公司)
“China Securities Investment”	China Securities Investment Limited (中信建投投資有限公司)
“CIC”	China Investment Corporation (中國投資有限責任公司)
“CITIC Corporation”	CITIC Corporation Limited (中國中信有限公司)

DEFINITIONS (Continued)

“CITIC Group”	CITIC Group Corporation Ltd. (中國中信集團有限公司)
“CITIC Limited”	CITIC Limited (中國中信股份有限公司)
“CITIC Securities”	CITIC Securities Co., Ltd. (中信證券股份有限公司)
“Company Law”	Company Law of the People’s Republic of China
“connected transaction”	has the same meaning ascribed to it under the Hong Kong Listing Rules
“CSC” or “Company”, “our Company”, “parent company”	CSC Financial Co., Ltd.
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“FICC”	Fixed-income securities, currencies and commodities
“Glasslake Holdings”	Glasslake Holdings Limited (鏡湖控股有限公司)
“Group”	CSC Financial Co., Ltd. and its subsidiaries
“H Share(s)”	listed overseas foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the Hong Kong Stock Exchange and traded in HK dollars
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

DEFINITIONS (Continued)

“Hong Kong Stock Exchange” or “HKEX”	The Stock Exchange of Hong Kong Limited
“IPO”	Initial Public Offering
“Listing Rules of the SSE”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (as amended from time to time)
“Ministry of Finance”	Ministry of Finance of the People’s Republic of China
“NEEQ”	the National Equities Exchange and Quotations
“NEEQ Company”	National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司)
“PRC” or “China”	the People’s Republic of China
“PwC”	PricewaterhouseCoopers
“PwC Zhong Tian”	PricewaterhouseCoopers Zhong Tian LLP
“QDII”	Qualified Domestic Institutional Investor
“QFII”	Qualified Foreign Institutional Investor
“related party/connected transaction”	related party transaction(s) and connected transaction(s)
“related party transaction(s)”	has the same meaning ascribed to it under the Listing Rules of the SSE
“Reporting Period/2021”	from January 1, 2021 to December 31, 2021
“RMB” or “Renminbi”	the lawful currency of the PRC

DEFINITIONS (Continued)

“RQFII”	Renminbi Qualified Foreign Institutional Investor
“Securities Law”	Securities Law of the People’s Republic of China
“Shanghai and Shenzhen Stock Exchanges”	Shanghai Stock Exchange and Shenzhen Stock Exchange
“Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“SSE”	Shanghai Stock Exchange
“State-owned Assets Supervision and Administration Commission of Beijing”	the State-owned Assets Supervision and Administration Commission of People’s Government of the Beijing Municipality (北京市人民政府國有資產監督管理委員會)
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	Shenzhen Stock Exchange
“BSE”	Beijing Stock Exchange
“Tengyun Investment”	Xizang Tengyun Investment Management Limited (西藏騰雲投資管理有限公司)
“the end of the Reporting Period” or “the end of 2021”	December 31, 2021
“Date of Disclosure of the Report”	March 30, 2022
“US\$”	United States dollars, the lawful currency of the United States
“Wind Info”, “Wind”	Wind Information Co., Ltd. (上海萬得信息技術股份有限公司)

CHAIRMAN'S STATEMENT

Dear Shareholders,

In March, it is time to report the Company's achievements over the past year and future prospects to all shareholders. The year 2021 marks the centenary of the founding of the Communist Party of China (CPC) and the beginning of the 14th Five-Year Plan. China has continued to consolidate pandemic prevention and control, economic recovery is at the forefront of major economies in the world, and the capital market has also shown a positive trend of vigorous growth. Shanghai and Shenzhen stock markets have reached the most active trading level in history, and the scale of equity and debt financing has reached a record high, which contributed positive strength to the growth of national economy. The establishment of Beijing Stock Exchange represents the key to the construction of China's multi-level capital market system, which has far-reaching influence. With the vigorous development of China's securities market and the hard work of all CSC employees, we have once again set a new record of best operating performance since 2020 and achieved "three years of unbroken improvement". According to the audited financial data of the China Accounting Standards for Business Enterprises, as of the end of 2021, the total assets of the Group amounted to RMB452,791 million, and the net assets attributable to the shareholders of the parent company amounted to RMB79,818 million, representing an increase of 22% and 18%, respectively; in 2021, the Group achieved operating income of RMB29,872 million and a net profit attributable to the shareholders of the parent company of RMB10,239 million, representing an increase of 28% and 8%, respectively. The weighted average return on net assets reached 15.80%, continuing to maintain the leading level in the industry and creating value to all of our shareholders.

All business segments of the Company developed stably and achieved successive achievements. Investment banking business has once again achieved remarkable performance and continued to be at the forefront of the market. It is the core representative of our industry status and professional image. The number and amount of lead underwriters of IPO and equity refinancing rank among the top, and the bond underwriting business continues to be unparalleled, representing the top level of the current market. We have successfully assisted China Telecom and China Mobile to return to the A-share IPO and completed the IPO projects in strategic emerging fields such as semiconductor, pharmaceuticals and new materials, which fully reflects the Company's leading position in the market and the original intention and mission of actively serving the national strategy and the development of the real economy. The wealth management business has made outstanding achievements, the trading volume and market share have continued to increase, and the net income, market share and ranking of core business such as securities brokerage, agency sales of financial products and customer custody securities have been significantly improved. The ranking of the average monthly active customers of Qingting Dianjin APP has steadily improved, and a major breakthrough has been made in online customer acquisition.

CHAIRMAN'S STATEMENT (Continued)

The outstanding performance of wealth management business is not only the inevitable result of years of accumulation, but it has also greatly enhanced our confidence and strength in promoting strategic transformation and pursuing healthy development. With the rapid development of institutional business, the market influence and brand reputation of research, derivatives, custody, QFII and RQFII are increasing day by day. As a Prime Brokerage, the Company has been recognized by the majority of institutional customers in various markets, the number of newly added custodian public funds ranked No.1 among securities firms, and the service capacity and commission income of investment research have also been further improved. The institutional business, which has various types and is closely related to each business line, is the strategic focus of the Company to serve all kinds of institutional investors and become first-class in the industry. The fixed income business has further performed well, and bond proprietary investment and bond sales have achieved further success bond investment consulting business have been favored by customers. The derivatives trading business has achieved remarkable results. The newly added scale of OTC option business and revenue swap business has increased significantly. With the active transformation over the years, the scale of equity products in asset management business has nearly doubled, and the establishment of asset management companies is advancing in an orderly manner. The structure of securities and financial business has been continuously optimized, the balance of margin financing and securities lending has increased rapidly, and the market ranking of the interest income from collateralized stock repurchase has been improved. In particular, the performance contribution of subsidiaries has increased steadily, and the contribution to the Company's overall income and profit has increased from 10% and 9% in 2020 to 14% and 17%. The performance of China Securities Futures was outstanding, and its operating income and net profit hit a record high for two consecutive years. Many of the invested projects of China Securities Capital have been listed smoothly, both a cumulative amount of investment an average investment yield from exit projects are considerable. China Securities International has made full use of the role of international bridgehead and has become an important member of Chinese securities firms in Hong Kong. The performance of many products of China Securities Funds ranked high in the market and China Securities Funds has become a wholly owned subsidiary of the Company in February 2022. China Securities Investment has also made great progress and its contribution to the Company's income and profit has become increasingly important. For the detailed information and specific data of the above businesses, please refer to the section headed "Management Discussion and Analysis" of this annual report.

CHAIRMAN'S STATEMENT (Continued)

The establishment of Beijing Stock Exchange has injected new advantageous business for us. Since 2011, we have been deeply engaged in the NEEQ market for a long term, and have been working hard for a decade. Finally, we have successfully grasped the significant historical opportunity of the establishment of the Beijing Stock Exchange, and we have been in a leading position. We have firmly established the “main position consciousness”, adhered to the “investment bank first and comprehensive layout”, actively and fully participated in all businesses of the Beijing Stock Exchange, and provided full product and full life cycle services for innovative small and medium-sized enterprises. Through investment banking, brokerage, proprietary trading, research, equity investment and other dimensions, we have extensively and deeply participated in the development process of the Beijing Stock Exchange, resonated with the national strategy, and once again won a good reputation and social influence. Among the 81 companies listed on the first batch of the Beijing Stock Exchange, 12 companies are sponsored by the Company, raising RMB2.8 billion, ranking first in the market, and realizing the registration system of STAR Market and GEM. The number of sponsored companies listed on the first batch of the Beijing Stock Exchange has been the top for the last three years in a row. This achievement fully demonstrates our commitment to serving small and medium-sized enterprises, focusing on specialties and new products, and the characteristics of serving the real

Strong support of correct and clear strategic planning is inevitable for the increasingly large and rapid development of the business sector. Our vision have always been focusing on the continuous upgrade of business management and future development trend of the industry. We have firmly abandoned the misconception of be conservative, and we would rather think out of the box. “Benefiting others for common prosperity”. We have fully participated in the “co-financing synergy” strategy of CITIC Group and carried out a series of synergy cooperation with financial subsidiaries such as CITIC Bank, CITIC Trust and CITIC Prudential to enhance efficiency. The Company has also made outstanding progress in internal collaboration. By actively coordinating various resources, improving the assessment mechanism and building an information collaboration platform, all business lines have continuously provided customers with comprehensive financial services by taking advantage of joint advantages with remarkable results. Steady progress has been made in cross-border integration. The Company's core businesses such as investment banking, fixed income, derivatives, research and equity investment have taken root and developed steadily in Hong Kong, China through China Securities International. Our integrated management of other subsidiaries is also advancing in an orderly manner. Digital work has been promoted in an all-round way. Empowered customers, empowered employees and empowered management have made remarkable achievements, and also achieved the effect of reducing costs and increasing efficiency. In the direction of enabling full-service development by science and technology, we have accelerated the application layout of new generation technologies such as cloud facilities, big data, artificial intelligence and blockchain in the Company's important business lines and compliance risk control; we have continued to strengthen the in-depth cooperation with excellent Internet enterprises, combined leading technologies with securities business scenarios, developed a micro ecological operation platform with full internal and external links and laid a foundation for the online development of the Company's wealth management and other businesses.

CHAIRMAN'S STATEMENT (Continued)

In the upcoming year, we will always adhere to the principle of “seeking improvement in stability”. In terms of “stability”, we focus on properly handling two dialectical relations, one is the dialectical relationship between “changing” and “not changing”. As a business operator, we always follow the trend and keep pace with the times in the face of the changing situations, which are all about “changing”. At the same time, we pay more attention to “not changing”, that is, the overall situation consciousness and responsibility of bearing in mind the two major landscapes and national interests cannot be changed; the original mission of “financial services for the real economy” cannot be changed; the vision and ambition of pursuing excellence and building a first-class investment bank in China cannot be changed. The other is the dialectical relationship between “doing” and “not doing”. The core value of the Company is “achievements leading to status”, and we have been asking all employees to act and make progress in their respective positions. But at the same time, we shall also bear in mind the consequences of “not doing”. In the operation and management of the Company, for matters that do not meet the requirements of the major policies and policy guidance of the Party and the State, we do not do; for matters that do not comply with laws and regulations, we do not do; for matters that do not conform to or infringe upon the interests of customers, we do not do. What cannot be changed remains unchanged, what cannot be done remains undone. Only in this way can we have the foundation and guarantee for seeking improvement in “stability”. In terms of “progress”, we should first maintain the mentality of “progress”, resolutely avoid falling into the “comfort zone”, never slacken, strive for success, and constantly pursue the ranking of various business indicators of the Company. “Progress” is by no means a blind and restless advancement of the great leap forward, but a “solid progress” and “step-by-step progress”. In the face of challenges, we will meet difficulties, be brave in taking responsibility, act actively, and strive to fully achieve the annual business objectives.

Work hard, pay attention to practice, integrate knowledge, and start well and end well. As a listed company and sponsor, we have always implemented the national requirements of “improving the quality of listed companies” and actively participated in the era of deepening reform as well as continuous upgrade and transformation of the capital market. In the new year, with crystal clear expectations and requirements put forward by the Central Committee of the Communist Party on “financial institutions serving the real economy” and the implementation of a series of major financial policies such as the reform to introduce a system of registration for issuing stocks, securities companies are bound to usher in a more important period of development. We attach great importance to this precious opportunity, make full preparation at all times, forge ahead, keep surpassing, and make unremitting efforts to build CSC into a first-class investment bank in China with customer trust, employee recognition and shareholder satisfaction.

Thank you!

Chairman

WANG Changqing

March 30, 2022

SECTION 1 IMPORTANT NOTICE

- I. The Board of Directors, the Supervisory Committee of the Company, the Directors, the Supervisors and the senior management warrant the truthfulness, accuracy and completeness of this annual report and that there is no misrepresentation on, misleading statement in, or material omission from, this annual report, and will assume joint and several liabilities.
- II. This report was considered and approved at the fortieth meeting of the second session of the Board of Directors of the Company. All Directors of the Company attended the board meeting. No Director raised any objection to this annual report.
- III. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers issued the auditor's reports with standard unqualified audit opinion, respectively.
- IV. Wang Changqing, Chairman of the Company, Li Geping, the General Manager and the Chief Financial Officer, and Zhao Ming, head of the Company's accounting department (chief accountant), warrant that the financial statements set out in this annual report are true, accurate and complete.
- V. The plans for profit distribution or capital reserve capitalization for the reporting period were considered by the Board of Directors

The 2021 profit distribution plan formulated by the Company is as follows: the Company proposes to distribute in the form of cash dividends, on the basis of 7,756,694,797 shares in the total issued share capital as at December 31, 2021, RMB3.95 (tax inclusive) for every 10 shares to all Shareholders. The proposal has yet to be submitted at the general meeting of the Company for approval.

- VI. Risk statement for forward-looking statements

Forward-looking statements, including future plans and development strategies, contained in this report do not constitute a substantive commitment to investors by the Company. Investors should be aware of investment risks.

SECTION 1 IMPORTANT NOTICE (Continued)

- VII. Whether there was any appropriation of funds by controlling shareholder(s) or its/their related parties for non-operating purposes

No

- VIII. Whether any guarantee was made to external parties against the stipulated decision-making Process

No

- IX. Whether more than half of the directors cannot guarantee the truthfulness, accuracy and completeness of the annual report disclosed by the Company

No

- X. Material risk warning

During the reporting period, no material risk matter existed in the Company. The Company has described the relevant potential risks in this report in detail. Please refer to "Potential Risks" in Section 4 "Management Discussion and Analysis" of this annual report.

- XI. Others

The Company prepared this annual report in both English and Chinese. In the event of any discrepancies in interpretation between the English version and Chinese version of this annual report, the Chinese version shall prevail. In this annual report, the currency is mainly RMB or Hong Kong dollar. If there is no specific indication, the currency is RMB; the discrepancies in the decimal place between the sum of the amount of each sub-item and the grand total are due to rounding to the nearest integer.

SECTION 2 COMPANY INFORMATION

I. PROFILE

Name in Chinese	中信建投證券股份有限公司
Abbreviation in Chinese	中信建投證券
Name in English	China Securities Co., Ltd. CSC Financial Co., Ltd. (carrying on business in Hong Kong with such registered English name)
Abbreviation in English	CSC
Legal Representative	Wang Changqing
General Manager	Li Geping
Authorized Representatives	Wang Changqing, Li Geping
Joint Company Secretaries	Wang Guangxue, Huang Huiling

Registered Capital and Net Capital of the Company

Unit: RMB

	As at the end of the Reporting Period (December 31, 2021)	As at the end of the previous year (December 31, 2020)
Registered Capital	7,756,694,797.00	7,646,385,238.00
Net Capital	66,931,599,813.72	65,034,974,819.98

Note: As of December 31, 2020, the total number of shares of the Company was 7,756,694,797 shares, and the registered capital shall be changed to RMB7,756,694,797 accordingly. The Company completed the registration procedures for the change of business license related to the above registered capital in June 2021.

Scope of Business and Business Qualifications for Each Individual Business of the Company

The business scope of the Company mainly includes: securities brokerage; securities investment consulting; financial advisory relating to securities trading and securities investment activities; securities underwriting and sponsoring; proprietary securities trading; securities asset management; agency sale of securities investment funds; provision of intermediary business to futures companies; margin financing and securities lending; agency sale of financial products; stock options market making; custodian for securities investment fund; sale of precious metal products.

SECTION 2 COMPANY INFORMATION (Continued)

In addition, the Company also possesses the following major individual business qualifications (items 83–90 were business qualifications newly obtained in 2021):

1. Clearing Member of the China Central Depository & Clearing Co., Ltd. (Group A)
2. Qualification of Trading Business in the national interbank bond market of the PRC
3. Class B Clearing Participant of the China Securities Depository and Clearing Corporation Limited
4. Interbank lending qualifications
5. Qualification to engage in direct investment business
6. Primary dealer of Integrated Electronic Platform of Fixed-income Securities of SSE
7. Securities companies lease trading seats to insurance institutional investors
8. Qualification of trading business for securities companies to engage in stock index futures
9. Clearing Member of the Interbank Market Settlement Co., Limited (direct clearing member)
10. Qualification for securities account opening agency business
11. Qualification of Securities Business and Foreign Exchange Operating License
12. Qualification of interest rate swap using its proprietary funds of securities
13. Qualification of refinancing business
14. Qualification of contractual repurchase securities transaction business
15. Qualification of counter trading business
16. Class A lead underwriter of inter-bank debt financing instruments price quotation for non-financial companies
17. Business qualification of entrusted management of insurance funds
18. Chief agency broker of National Equities Exchange and Quotations System for small and medium enterprise
19. Qualifications of securities companies for business engagement with special institutional clients of insurance institutions
20. Qualification of collateralized stock repurchase business
21. Issuing institution of CRMW
22. Qualification of trading business for proprietary business to engage in treasury bond futures
23. Qualification of financial derivatives business (Swapping financial derivatives and counter trading business of OTC option)
24. Qualification of integrated custodian business for private funds
25. Qualification of conducting capital consumption payment services for client securities
26. Qualification of bond repurchase business with collateralized quotes
27. Qualification for Interbank Market Settlement Co., Limited to participate in the mutual swap and central clearing of Renminbi interest rates
28. Qualification of market making business of National Equities Exchange and Quotations System
29. Participant of quotation and service system for inter-institutional private equity products
30. Special Membership of Shanghai Gold Exchange
31. Qualification of piloting of Internet securities business

SECTION 2 COMPANY INFORMATION (Continued)

32. Qualification of CRMW instruments selling business
33. Qualification for conducting Southbound Trading business under the Shanghai-Hong Kong Stock Connect
34. Qualification of agency business for precious metal spot contracts and proprietary business for spot gold contracts
35. Qualification of business of financing of exercising Share incentive scheme of listed companies
36. Participant for stock options trading of SSE
37. Business Qualification for Options Settlement
38. Qualification of Interbank Market Settlement Co., Limited to participate in the Bond Transaction Net Clearing Business
39. Qualification of Interbank Market Settlement Co., Limited to participate in the remote Centralized Clearing Business of standard bond transactions
40. Qualification for conducting overseas securities investment and management business by Qualified Domestic Institutional Investor (QDII)
41. Foreign currency lending membership of China Foreign Exchange Trading System
42. Private fund outsourcing business
43. Qualification of interbank gold inquiry business
44. Class A General Clearing Members of Interbank Market Settlement Co., Limited
45. Qualification of Interbank Market Settlement Co., Limited to participate in the Central Clearing Transaction of Shipping and Commodities Derivatives
46. International Member (Class A) of Shanghai Gold Exchange
47. Qualification of Free Zone Bond Business of Interbank Market Settlement Co., Limited
48. Key trader of CRMW instruments
49. Issuing institution of credit-linked notes
50. Qualification for conducting Southbound Trading business under Shenzhen-Hong Kong Stock Connect
51. Qualification of Credit Assets Registration and Transfer Business
52. Participant of the Chinese commercial paper trading system
53. Northbound Trading Quote Agency
54. Primary trader for OTC option
55. Pilot qualification of cross-border business
56. Qualification of credit derivatives business
57. Major market maker of the listed fund on SSE
58. SSE core market maker of credit protection contract
59. Qualification of investor securities registration business
60. Qualification for Interbank Market Settlement Co., Limited to participate in the Business of Central Clearing for Credit Default Swap
61. SZSE core dealer of credit protection contract
62. Qualification of Business of the transfer of Science and Technology Innovation Board to margin securities
63. Qualification of consultation services for military confidential business

SECTION 2 COMPANY INFORMATION (Continued)

64. Qualification of Shanghai Free Trade Zone and overseas bond business
65. Qualification of consultation stock options business on SZSE
66. Issuer of credit protection certificate (SSE)
67. Qualification of market making business for Stock Options
68. Qualification of market maker of CSI 300ETF options of China Financial Futures Exchange
69. Lead Market Maker of CSI 300ETF options of Shanghai Stock Exchange
70. Business qualification for sale and purchase of foreign currencies
71. Participants in RMB foreign exchange inquiry trading and clearing business in the interbank market
72. Partner of the valuation of Chinese bonds
73. Member of the interbank foreign exchange market
74. Member of inter-bank foreign currency market
75. Pilot qualification of fund investment advisory business
76. Members of the interest rate option market
77. Qualification of trustee for debt financing instruments of non-financial institutions
78. Qualification of H-share Full Circulation Business
79. Qualification of foreign exchange client business
80. Primary market makers of SSE 50ETF Options
81. Qualification for independent underwriting of debt financing instruments of non-financial institutions
82. Member of book-entry treasury bond underwriting syndicates (2021–2023)
83. Member of 2021 Renminbi Financial Bond Underwriting Marketmaking Group of National Development Bank
84. Interest rate option quotation agency

85. Cash bond market maker in inter-bank bond market
86. CFETS-SHCH-GTJA High-grade CDS index quotation institution
87. Qualified creation institution for bond pledge repurchase business of credit protected bonds
88. Qualification of intermediary service institution of Beijing Equity Trading Center
89. Qualification of pilot business for optimizing account management function of securities companies
90. Qualification for market making business of treasure bond futures

SECTION 2 COMPANY INFORMATION (Continued)

II. CONTACT PERSONS AND DETAILS

Secretary to the Board, Company Secretary

Contact Person	Wang Guangxue
Contact Address	No. 188 Chaonei Avenue, Dongcheng District, Beijing
Telephone	010-65608107
Facsimile	010-65186399
Email	investorrelations@csc.com.cn

III. BASIC INFORMATION

Registered Address	Unit 4, No. 66 Anli Road, Chaoyang District, Beijing
Postal Code of Registered Address	100101
Principal Office Address	No. 188 Chaonei Avenue, Dongcheng District, Beijing
Postal Code of Office Address	100010
Place of Business in Hong Kong	18/F, Two Exchange Square, Central, Hong Kong
Website	www.csc108.com
Email	investorrelations@csc.com.cn
Telephone	010-85130588
Facsimile	010-65186399
National Customer Service Hotline	95587/4008888108
Investor Relations Hotline	010-65608107
United Social Credibility Code	91110000781703453H

IV. INFORMATION DISCLOSURE AND AVAILABILITY PLACES

Media and website designated for information disclosure by the Company	China Securities Journal (https://www.cs.com.cn) Shanghai Securities News (https://www.cnstock.com) Securities Times (http://www.stcn.com) Securities Daily (http://www.zqrb.cn)
Website designated by CSRC for publication of the Annual Reports	www.sse.com.cn (website of SSE) www.hkexnews.hk (HKExnews website of the HKEX)
Places where annual reports of the Company are available	No. 188 Chaonei Avenue, Dongcheng District, Beijing Unit 4, No. 66 Anli Road, Chaoyang District, Beijing 18/F, Two Exchange Square, Central, Hong Kong

SECTION 2 COMPANY INFORMATION (Continued)

V. BRIEF INFORMATION OF THE SHARES OF THE COMPANY

Brief information of the shares of the Company				
Class of Shares	Stock Exchange of Listing	Stock Name	Stock Code	Stock name before change
A Shares	SSE	CSC	601066.SH	Not applicable
H Shares	HKEX	CSC	6066.HK	Not applicable

VI. OTHER INFORMATION OF THE COMPANY

(I) History of the Company, mainly including reform and restructuring, increasing in share capital and other matters in prior years

1. Establishment of Company

China Securities Finance Limited (中信建投証券有限責任公司) (the “CSF Limited”), the Company’s predecessor, was jointly invested and established by CITIC Securities and China Jianyin Investment Limited (中國建銀投資有限責任公司) (the “China Jianyin”) in 2005 pursuant to the Approval for Commencing Operation of China Securities Finance Limited (Zheng Jian Ji Gou Zi [2005] No. 112) (《關於同意中信建投証券有限責任公司開業的批覆》(證監機構字[2005]112號)) issued by the CSRC. On November 2, 2005, CSF Limited obtained the business license of corporate legal representative from the Administration for Industry and Commerce. The registered address is Unit 4, No. 66 Anli Road, Chaoyang District, Beijing, with registered capital of RMB2,700,000,000, of which CITIC Securities and China Jianyin made cash contribution of RMB1,620,000,000 and RMB1,080,000,000, in proportion of 60% and 40%, respectively. CSF Limited was established to acquire the securities business and related assets originally owned by Huaxia Securities Co., Ltd. and then operated as a comprehensive securities firm.

SECTION 2 COMPANY INFORMATION (Continued)

2. *Change of Shareholding in 2010*

(1) *BSCOMC Becomes a Shareholder*

On November 9, 2010, the CSRC issued the Approval for the Change of Shareholders Holding More Than 5% Equity Interests by China Securities Finance Limited (Zheng Jian Xu Ke [2010] No. 1588) (《關於核准中信建投證券有限責任公司變更持有5%以上股權的股東的批覆》(證監許可[2010]1588號)) to approve the eligibility of BSCOMC as a Shareholder of the CSF Limited holding more than 5% equity interests, with no objection to the lawful transfer of RMB1,215,000,000 equity interests of the CSF Limited (representing 45% of the total capital contribution) originally held by CITIC Securities to BSCOMC. On November 15, 2010, CSF Limited completed the change of registration in relation to the change in shareholding with the Administration for Industry and Commerce.

(2) *Central Huijin Becomes a Shareholder*

Pursuant to the Approval of the Ministry of Finance for Asset Transfer by China Jianyin to Central Huijin (Cai Jin Han [2009] No. 77) (《財政部關於中國建銀投資有限責任公司向中央匯金投資有限責任公司劃轉資產的批覆》(財金函[2009]77號)), China Jianyin, a Shareholder of CSF Limited originally holding 40% equity interests, transferred its equity interests in CSF Limited to Central Huijin at nil consideration. On November 18, 2010, the CSRC issued the Approval for the Change of Shareholders Holding More Than 5% Equity Interests by China Securities Finance Limited (Zheng Jian Xu Ke [2010] No. 1659) (《關於核准中信建投證券有限責任公司變更持有5%以上股權的股東的批覆》(證監許可[2010]1659號)) to approve the eligibility of Central Huijin as a Shareholder of the CSF Limited holding more than 5% equity interests, with no objection to the lawful transfer of RMB1,080,000,000 equity interests of the CSF Limited (representing 40% of the total capital contribution) originally held by China Jianyin to Central Huijin. On December 16, 2010, CSF Limited completed the change of registration in relation to the change in shareholding with the Administration for Industry and Commerce.

SECTION 2 COMPANY INFORMATION (Continued)

(3) *Central Jinyuan Becomes a Shareholder*

On November 23, 2010, the CSRC issued the Approval for the Change of Shareholders Holding More Than 5% Equity Interests by China Securities Finance Limited (Zheng Jian Xu Ke [2010] No. 1693) (《關於核准中信建投證券有限責任公司變更持有5%以上股權的股東的批覆》(證監許可[2010]1693號)) to approve the eligibility of Century Jinyuan Investment Group Limited (世紀金源投資集團有限公司) (the “Century Jinyuan”) as a Shareholder of the CSF Limited holding more than 5% equity interests, with no objection to the lawful transfer of RMB216,000,000 equity interests of the CSF Limited (representing 8% of the total capital contribution) originally held by CITIC Securities to Century Jinyuan. On December 16, 2010, CSF Limited completed the change of registration in relation to the change in shareholding with the Administration for Industry and Commerce.

3. Conversion to a Joint Stock Limited Company as a Whole in 2011

On June 30, 2011, the CSRC issued the Approval for the Conversion of China Securities Finance Limited into a Joint Stock Limited Company (Zheng Jian Xu Ke [2011] No. 1037) (《關於核准中信建投證券有限責任公司變更為股份有限公司的批覆》(證監許可[2011]1037號)) to approve the conversion of CSF Limited into a joint stock limited company as a whole. Upon completion of the conversion, the Company was renamed CSC Financial Co., Ltd. with registered capital of RMB6,100,000,000. On September 28, 2011, the Company completed the change of registration in relation to the conversion into a joint stock limited company as a whole with the Administration for Industry and Commerce.

4. Change of Shareholding in 2016

(1) *Xizang Shannan Century Jinyuan Investment Management Limited Becomes a Shareholder*

On March 8, 2016, Century Jinyuan entered into a Share Transfer Agreement with Xizang Shannan Century Jinyuan Investment Management Limited (the “Shannan Jinyuan”, currently known as Xizang Tengyun Investment Management Limited), which stipulated that Century Jinyuan shall transfer those 300,000,000 shares of the Company held by it to Shannan Jinyuan, representing 4.92% of the total share capital of the Company. The above transfer was completed in July 2016.

SECTION 2 COMPANY INFORMATION (Continued)

(2) *Shanghai Shangyan Becomes a Shareholder*

On August 22, 2016, Century Jinyuan entered into a Share Transfer Agreement with Shanghai Shangyan Investment Center (Limited Partnership) (上海商言投資中心(有限合夥) (the “Shanghai Shangyan”), which stipulated that Century Jinyuan shall transfer those 150,624,815 shares of the Company held by it to Shanghai Shangyan, representing 2.47% of the total share capital of the Company. The above transfer was completed in September 2016.

5. *IPO of H Shares in 2016*

On November 3, 2016, the CSRC issued the Approval for Issuance of Overseas Listed Foreign Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2016] No. 2529) (《關於核准中信建投證券股份有限公司發行境外上市外資股的批覆》(證監許可[2016]2529號)), which approved the overseas IPO of the Company no more than 1,237,940,000 overseas listed foreign shares, with a par value of RMB1 per share, all of which were ordinary shares.

On December 9, 2016, the Company was listed and traded on the main board of the Hong Kong Stock Exchange, with an IPO of 1,130,293,500 H Shares (including 1,076,470,000 new shares) (stock code: 6066.HK). On December 30, 2016, the Company exercised the over-allotment option partially and issued 73,411,000 additional H Shares (including 69,915,238 new shares) resulting in issuance a total of 1,203,704,500 H Shares (including 1,146,385,238 new shares) at an issue price of HKD6.81 per share.

According to the Approval for the Issues Concerning the Transfer of State-owned Shares Held by CSC Financial Co., Ltd. (Guo Zi Chan Quan [2016] No. 967) (《關於中信建投證券股份有限公司國有股轉持有關問題的批覆》(國資產權[2016]967號)) issued by the State-owned Assets Supervision and Administration Commission of the State Council, and the Letter on the Issues Concerning the Reduction and Transfer of Hong Kong-listed, State-owned Shares Held by CSC Financial Co., Ltd. (She Bao Ji Jin Fa [2016] No. 152) (《關於中信建投證券股份有限公司香港上市國有股減轉持問題的函》(社保基金發[2016]152號)) issued by the National Council for Social Security Fund of the PRC (the “NSSF”), certain existing Shareholders of the state-owned shares of the Company carried out their obligations of state-owned share reduction and have transferred an aggregate of 114,638,524 Shares of the Company to the NSSF based on 10% of the actual number of Shares issued, and such Shares were then converted into overseas listed foreign invested shares (H shares) on a one-for-one basis. According to the entrustment of the NSSF, the Company would transfer 57,319,262 Shares out of the Shares for public offering, and the proceeds would be transferred to the NSSF.

SECTION 2 COMPANY INFORMATION (Continued)

After the IPO and listing of H Shares by the Company, the total share capital was changed from 6,100,000,000 Shares to 7,246,385,238 Shares, including 5,985,361,476 domestic Shares and 1,261,023,762 H Shares.

6. IPO of A Shares in 2018

On May 18, 2018, the CSRC issued the Approval for Approving the Initial Public Offering of CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2018] No. 828) (《關於核准中信建投證券股份有限公司首次公開發行股票的批覆》(證監許可[2018]828號)) to approve the public offering of no more than 400 million A Shares by the Company.

On June 20, 2018, the Company was listed on the main board of the SSE, with an IPO of 400,000,000 A Shares (stock code: 601066.SH) at an issue price of RMB5.42 per share.

After the IPO and listing of A Shares, the total share capital of the Company was changed from 7,246,385,238 Shares to 7,646,385,238 Shares, including 6,385,361,476 A Shares and 1,261,023,762 H Shares.

7. Change of Shareholding in 2020

On October 19, 2020, the CSRC issued the Approval for the Change of Substantial Shareholder by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2020] No. 2619) (《關於核准中信建投證券股份有限公司變更主要股東的批覆》(證監許可[2020]2619號)) to approve Beijing Financial Holdings Group to become the substantial shareholder of the Company, with no objection to the lawful transfer of 2,684,309,017 shares of the Company (representing 35.11% of the total shares) originally held by BSCOMC to Beijing Financial Holdings Group. On November 30, 2020, the share transfer registration was completed, and BSCOMC no longer directly held the shares of the Company, and Beijing Financial Holdings Group became the largest shareholder of the Company.

8. Non-public issuance of A shares in 2020

On February 28, 2020, the CSRC promulgated the Approval for the Non-public Issuance of Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2020] No. 345) (《關於核准中信建投證券股份有限公司非公開發行股票的批覆》(證監許可[2020]345號)) to approve the non-public issuance of no more than 1,277,072,295 A shares of the Company.

SECTION 2 COMPANY INFORMATION (Continued)

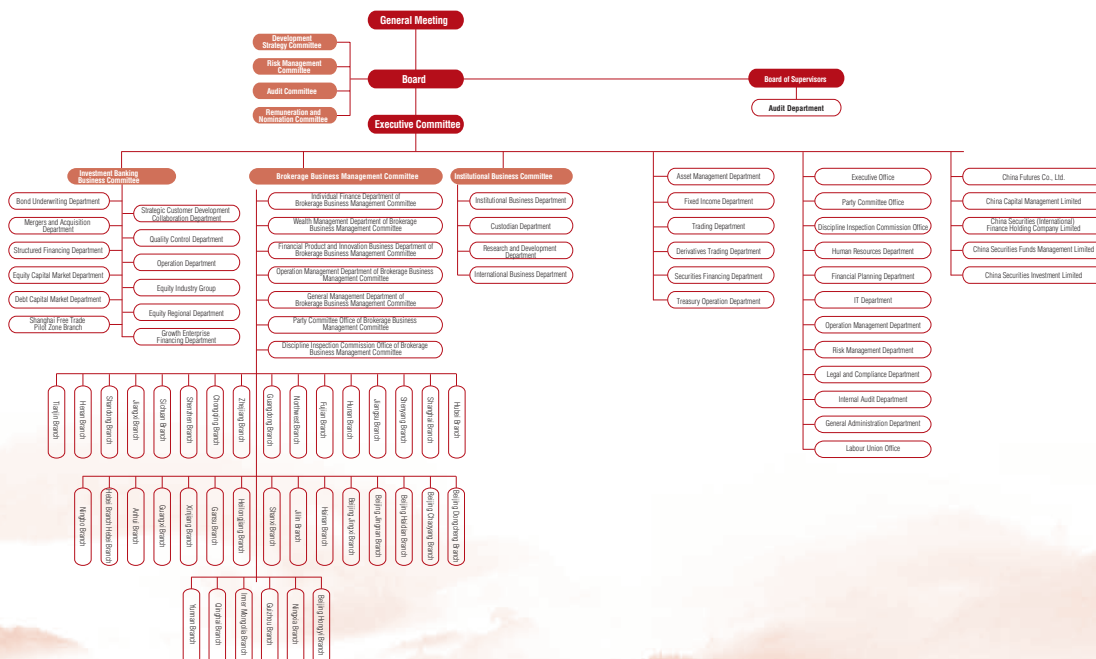
On December 28, 2020, the 110,309,559 new A shares of the non-public issuance completed the share registration procedures at the Shanghai branch of China Securities Depository and Clearing Corporation Limited. After the completion of the non-public issuance, the total share capital of the Company was changed from 7,646,385,238 Shares to 7,756,694,797 Shares, including 6,495,671,035 A Shares and 1,261,023,762 H Shares.

(II) Change of Substantial Shareholders

Please refer to the “Section 2 Company Information – VI. Other Information of the Company– (I) History of the Company, mainly including reform and restructuring, increasing in share capital and other matters in prior years” of this annual report for details.

(III) Organizational Structure of Company

In strictly accordance with the requirements of the Company Law, the Securities Law, the Guidances for the Internal Control of Securities Companies (《證券公司內部控制指引》), the relevant rules and regulations of CSRC, the Listing Rules of the SSE, the Hong Kong Listing Rules, the Articles of Association and internal system of the Company, the Company regulates its standard operation, constantly improves the operation mechanism and system establishment for its Party Committee, general meeting, the Board of Directors, the Supervisory Committee and the business management. The Company has established standardized and scientific corporate governance structure, set up an organizational structure that meets its development needs. The organizational structure of the Company is as follows:



SECTION 2 COMPANY INFORMATION (Continued)

As of the end of the Reporting Period, the Company has four wholly-owned subsidiaries, namely China Securities Futures, China Securities Capital, China Securities International and China Securities Investment, and one controlled subsidiary, namely China Securities Funds. Please refer to Section 4 “Management Discussion and Analysis – VII. Analysis of Principal Subsidiaries” of this report for details.

Subsequent events:

In 2022, there was a change in the equity interest of China Securities Funds. The Company, as transferee, received 25% of the equity interest of China Securities Funds held by Aerospace Science & Technology Finance Co., Ltd.. In February 2022, China Securities Funds completed the industrial and commercial registration of the equity transfer and other matters. Upon completion of the equity transfer, the Company has changed its shareholding in China Securities Funds from 75% to 100%, and China Securities Funds has therefore become a wholly-owned subsidiary of the Company. For details about the changes of equity interest, please refer to the relevant announcement of the Company.

SECTION 2 COMPANY INFORMATION (Continued)

(IV) Number and Network of Securities Branches of the Company

As of the end of the Reporting Period, the Company had established a network of 275 securities branches in total as follows:

Province/autonomous regions/municipalities	Number of branches
Beijing	48
Guangdong	30
Jiangsu	21
Shanghai	18
Hubei	16
Fujian	16
Zhejiang	15
Jiangxi	15
Shandong	13
Hunan	13
Chongqing	11
Shaanxi	10
Sichuan	9
Henan	8
Hebei	6
Tianjin	6
Liaoning	6
Anhui	3
Hainan	3
Gansu	2
Heilongjiang	2
Jilin	1
Shanxi	1
Guangxi	1
Xinjiang	1
Total	<u>275</u>

SECTION 2 COMPANY INFORMATION (Continued)

(V) Number and Network of Other Branches of the Company

As of the end of the Reporting Period, China Securities Futures, a wholly-owned subsidiary of the Company, had a total of 26 branches, including three branches in Shanghai, three branches in Beijing, two branches in Guangzhou, two branches in Chongqing, and one branch in each of the provinces including Jinan, Changsha, Dalian, Nanchang, Zhengzhou, Langfang, Zhangzhou, Hefei, Xi'an, Chengdu, Shenzhen, Hangzhou, Ningbo, Wuhan, Nanjing, Taiyuan.

VII. OTHER RELEVANT INFORMATION

Accounting firm engaged by the Company (domestic)	Name Office Address	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai
Accounting firm engaged by the Company (overseas)	Name of signing accountant Name Office Address	Han Dan, Chen Jinzhan PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
Sponsor institution that perform the duties of continuous supervision during the Reporting Period	Name of signing accountant Name Office Address Name of signing sponsor representative Period of continuous supervision	Xiao Jianchen Great Wall Securities Co., Ltd. 10/F-19/F, South Tower, Energy Building, No. 2026, Jintian Road, Futian Sub-district, Futian District, Shenzhen City, Guangdong Province Lin Ying, Chen Lu December 28, 2020 to December 31, 2021
Sponsor institution that perform the duties of continuous supervision during the Reporting Period	Name Office Address Name of signing sponsor representative Period of continuous supervision	China Galaxy Securities Co., Ltd. Qinghai Finance Building, Building No. 1, No. 8 Xiyiing Street, Fengtai District, Beijing Ma Feng, Peng Qiang December 28, 2020 to December 31, 2021
Registrar Office Address	Office Address of A Share Registrar Office Address of H Share Registrar	China Securities Depository and Clearing Corporation Limited Computershare Hong Kong Investor Services Limited

SECTION 2 COMPANY INFORMATION (Continued)

VIII. AWARDS OF THE GROUP IN 2021

Awards of the Group in 2021

1. 2020–2021 Excellent Investor Education Base
Issued by: CSRC
2. 2021 Top 10 Popular Investment Education Products among Investors
Issued by: Investor Protection Bureau of CSRC
3. 2021 Mobile Financial Client Application Enterprise Standard “Leader”
Issued by: Securities Association of China, Futures Association of China, Asset Management Association of China, China Securities Information Technology Service Co., Ltd.
4. 2021 Excellent Underwriter of Corporate Bonds, Excellent Underwriter of Corporate Bond Innovative Product, Excellent Manager for Asset Securitization Business, Excellent Manager of Asset Securitization Innovative Business, Outstanding Underwriter for Local Government, Award for Contribution to the Construction of New Bond Trading System and Excellent Bond Broker
5. “Outstanding Cross-market Bond Trading Institution”, “Outstanding Rate of Bond Underwriter”, and “Outstanding Fixed Income Business Innovation Institution Serving National Strategy”
Issued by: SZSE
6. Award for Outstanding ETF Liquidity Service Provider of the Year 2021
Issued by: SZSE
7. Award for Outstanding Organization of “Investor Education Red Tour”, “Annual Survey for Investors” and Award for Best Organization of Survey
Issued by: SZSE

SECTION 2 COMPANY INFORMATION (Continued)

8. Second Prize of 2020 Research Topic of Securities and Futures Industry Financial Technology Research and Development Center

Issued by: SZSE

9. 2020 Investor Education Model Broker of Southbound Trading

Issued by: HKEX

10. 2020 Outstanding Special Members

Issued by: Shanghai Gold Exchange

11. Outstanding Market Maker

Issued by: Zhengzhou Commodity Exchange

12. Most Popular Securities Institution in China's Insurance Asset Management Industry and Most Popular Securities Institution in China Insurance Asset Management Industry – Fiduciary Business

Issued by: China Insurance Asset Management Association

13. 2021 Evaluation of External Fiduciary Managers of Insurance Funds

(1) Overall evaluation of the company: 5-star

(2) Evaluation of insurance capital management: 5-star

Issued by: China Insurance Asset Management Association

14. 2021 Outstanding Local Bond Underwriter: Outstanding Bond Underwriter for Corporate Debt, Bond Market Leading Institution, Bond Market Leading Person and Contributing Institution of the Year - Issue Underwriting Business, Outstanding Bond Underwriter

Issued by: China Government Securities Depository Trust & Clearing Co., Ltd.

15. Annual Market Influence Award, Market Innovation Award

Issued by: China Foreign Exchange Trade System and National Interbank Funding Center

SECTION 2 COMPANY INFORMATION (Continued)

16. Central Settlement Business: Excellent Settlement Member

Issuance, Registration, Depository and Clearing Business: Excellent Clearing Member, Excellent Issuer, Excellent Underwriter, Excellent Clearing Participant

Issued by: Shanghai Clearing House

17. Bond Connect Marketing Award

Issued by: Bond Connect Company Limited

18. Best Improvement Award

Issued by: China Development Bank

19. 2021 Golden Bull Securities Companies Social Responsibility Awards, Golden Bull Investment Bank Team

Issued by: China Securities Journal

20. 2021 Golden Bull Award for the 12th China Securities Industry Analyst

Team Award: Five Golden Bull Research Institution

Best Industry Analysis Team Golden Bull Awards: (1) Machinery (2) Food and beverage (3) Pharmaceutical biology

Issued by: China Securities Journal

21. 2021 Best Analyst: (1) 1st in Communications (2) 2nd in Pharmaceuticals

Issued by: Shanghai Securities News

SECTION 2 COMPANY INFORMATION (Continued)

22. 2021 Jun Ding Award for Securities Investment Banker in China, 2021 Jun Ding Award for Full-Service Investment Bank in China, 2021 Jun Ding Award for STAR Market Investment Bank in China, 2021 Jun Ding Award for Securities Independent Financial Advisory Team in China, 2021 Jun Ding Award for Securities Main Board Financing Project in China (Beijing-Shanghai Highspeed Railway IPO), 2021 Jun Ding Award for Securities GEM Financing Project in China (CATL's non-public issuance of A shares)

Issued by: Securities Times

23. Most Respected Investment Banks by Listed Companies:

Top 10 Investment Banks Most Respected by Listed Companies, Capital Market Department (Equity) Most Respected by Listed Companies, IPO Investment Banks Most Respected by Listed Companies, Refinancing Investment Bank Most Respected by Listed Companies, M&A Investment Bank Most Respected by Listed Companies, Bond Investment Bank Most Respected by Listed Companies, Investment Bank on the NEEQ Most Respected by Listed Companies, Investment Bankers Most Respected by Listed Companies, IPO Gold Sponsor Representative, Refinancing Gold Sponsorship Representative, Top Ten NEEQ Sponsors, IPO Team Most Respected by Listed Companies, M&A Team Most Respected by Listed Companies, Bond Team Most Respected by Listed Companies

Issued by: Securities Times

24. 2021 Junding Award for China Securities Industry Full-service Asset Management Institution, 2021 Junding Award for China Securities Industry Asset Management Equity Team, 2021 Junding Award for China Securities Industry Asset Management Quantitative Team

Issued by: Securities Times

25. 2021 Global Green Finance Award

Issued by: International Finance Forum (IFF)

26. 2021 China Golden Cauldron Award:

Classic Case of GEM Registration System (Golden Dragon Fish), 2021 Best Financial Advisor

Issued by: National Business Daily

SECTION 2 COMPANY INFORMATION (Continued)

27. 2021 China Business News Financial Value List: TOP10 Annual Investment Banks, Annual Investment Bankers

Issued by: China Business News

28. 2021 19th New Wealth Best Analyst Selection

Team awards:

(1) 9th most influential research institution

(2) 9th best local research institution

Industry awards:

(1) 1st in communications (2) 2nd in machinery (3) 4th in vehicles and vehicle parts (4) 5th in research on Hong Kong stocks and overseas markets (5) 5th in pharmaceutical biology (6) 5th in transportation and warehousing

Industry research team awards:

(1) 9th in manufacturing (2) 8th in energy and materials

Issued by: New Fortune Magazine

29. 14th China Best Investment Bank:

2nd Best Local Investment Bank, 2nd Best Equity Underwriting Investment Bank, 2nd Best Debt Underwriting Investment Bank, 1st Best IPO Investment Bank, 2nd Best Re-financing Investment Bank, 2nd Best Investment Bank for Mergers and Acquisitions, 4th Best Investment Bank in Overseas Market, 1st Most Innovative Investment Bank, 1st Best Investment Bank in Technology, 1st Best Investment Bank in New Energy and Power Equipment, 2nd Best Investment Bank in Machinery Smart Manufacturing, 4th Best Investment Bank in Medicine and Biology

Best IPO Project:

SMIC (No. 1), Beijing-Shanghai Highspeed Railway (No. 2), Golden Dragon Fish (No. 3), Qi Anxin (No. 5), Bestechnic (No. 7)

SECTION 2 COMPANY INFORMATION (Continued)

Best Re-financing Project

CATL's non-public issuance of A shares (No. 2), Southern Airlines' non-public issuance of A+H shares (No.4), and ZTE's non-public issuance of A-shares (No. 8)

Best Convertible Bonds Project:

Southern Airlines Convertible Bonds (No. 2), Goertek 2 (No. 8)

Best Corporate Bond Project:

2020 Public Offering of Corporate Bonds of China Coal Energy Company Limited (for professional investors) (Phase I) (No. 3), 2020 Public Offering of Renewable Corporate Bonds of BOE Technology Group Co., Ltd (for qualified investors) (epidemic prevention and control bonds) (No. 7), 2020 Public Offering of Corporate Bonds of China FAW Group Co., Ltd. (Phase I) (No. 9)

Best Asset-backed Securitization (ABS) Project:

Zhaoyin Hejia 2020 Phase I Personal Residential Mortgage-Backed Securities (No. 6), CSC Financial-Tin Cheung Asset-Backed Special Project (No. 9)

Best STAR Market Project: SMIC (No. 1)

Best GEM Project: Golden Dragon Fish (No. 1), Fengshang Culture (No. 4)

Best NEEQ Project: Chuangyuan Instruments (No. 4)

Most Creative Project:

2020 Special Financial Bonds for Loans to Small and Micro Enterprises of Agricultural Bank of China Limited (No. 3)

Best Talent in Investment Banking Business, Best Sponsor Representative

Issued by: New Fortune Magazine

SECTION 2 COMPANY INFORMATION (Continued)

30. The 15th Annual List of the Best Investment Banks in China:

Best Local Investment Bank (No.2), Best Equity Underwriting Investment Bank (No.3), Best Bond Underwriting Investment Bank (No.1), 3rd Best IPO Investment Bank (No.3), Best Refinancing Investment Bank (No.3), 3rd Best M&A Investment Bank (No.3), Best Investment Bank in Overseas Market Capability (No.3), Best Investment Bank in the Consumer Sector (No.1), Best Investment Bank in the Technology and Smart Manufacturing Industry (No.1), 3rd Best Investment Bank in the New Energy Industry (No.3), Best Investment Bank in the Energy and Materials Industry (No.2), Best Investment Bank in Innovation Capability, Best Investment Bank in ESG Practice

Best IPO Projects: DR Corp (No.3), Focuslight Technologies (No. 8), CSG Energy (No.11)

Best Refinancing Project: BOE Non-public Offering (No.4)

Best Convertible Bond Projects: Convertible Bond of Industrial Bank (No.1), Convertible Bond of Bank of Nanjing (No. 7)

Best Corporate Bond Project: Corporate Bond for Beijing Zhongguancun Development Group Co., Ltd. (No.1)

Best Asset Securitization (ABS) Projects: China Communications Construction Phase 1 Asset Backed Special Scheme of PPP Project of CCCC (No. 5)

Most Creative Projects: CITIC – State Power Investment – China Power Energy Infrastructure and Wan Asset Backed Special Scheme (REITs category)

Best Investment Banker, Best Sponsor Representative, Best Investment Banker of New Fortune

Issued by: New Fortune Magazine

31. 3rd New Wealth Best Investment Advisory Team Award

Issued by: New Fortune Magazine

SECTION 2 COMPANY INFORMATION (Continued)

32. 2021 Best Investment Bank selected by Wind:

Best Investment Bank, Best Equity Underwriter for A Shares, Best IPO Underwriter for A Shares, Best Re-financing Underwriter for A Shares, Best STAR Market Equity Underwriter, Best GEM Equity Underwriter, Best Beijing Stock Exchange Equity Underwriter, Best Bond Underwriter, Best Credit Bond Underwriter – Outstanding Stock Broker Award, Best Med-to Long-Term Bond Underwriter, Best ABS Underwriter, Best Credit ABS Underwriter, Best Corporate ABS Underwriter, Best Financial Bond Underwriter – Outstanding Stock Broker Award, Best Corporate Bond Underwriter, Best Corporate Bond Underwriter, Best Convertible Bond Underwriter

Issued by: Wind

33. The 9th Wind “Gold Analyst” in 2021

Institutional Awards:

(1) the Most Concerned Securities Company (2) the Best Roadshow Agency

Individual Awards in Research Fields:

(1) 1st in Non-banking Finance (2) 2nd in Basic Chemistry (3) 2nd in Machinery (4) 2nd in Banking (5) 3rd in Petroleum and Petrochemistry (6) 4th in Communications (7) 4th in Steel (8) 5th in Automobile (9) 5th in Electricity and Utilities

Issued by: Wind

34. The 15th Crystal Ball Award for Best Vendor Analyst for 2021

(1) 1st in communications (2) 4th in Automobiles and Parts (3) 4th in Machinery

Issued by: CapitalWeek

35. China Excellence in Corporate Finance and Investment Banking Awards for 2021: the Best Domestic Debt Finance Securities Company Award

Issued by: AsiaMoney

36. 2021 Annual FinTech and Digital Transformation Innovations (Two)

Issued by: China Institute of Communications

SECTION 2 COMPANY INFORMATION (Continued)

37. 2021 National Smart Enterprise Construction Innovation Case Award

Issued by: China Association of Enterprises, China Entrepreneur Association

38. 2021 Award for Outstanding Contribution to Innovation in the Application of New Technologies in the Financial Industry

Issued by: Financial Computerizing

China Securities Funds

1. 2020 Top 10 Enterprises for Economic Contribution Award, 2020 Top 10 Enterprises for Economic Contribution Award (CSC Asset Management Co., Ltd.)

Issued by: People's Government of Qiaozhi Town of Huairou District in Beijing

2. 2021 10th "Golden Intelligence Award", Outstanding Growth Fund Company Award of Leading Chinese Company in Financial Sector

Awarded by: Financial Sector

3. 2021 China Asset Management Institution Excellent List: The Most Competitive Award

Issued by: Modern Bankers

4. 2020 Best Potential Fund Company

Issued by: Eastmoney

China Securities Futures

1. 2021 Mobile Financial Client Application Enterprise Standard "Leader"

Issued by: Securities Association of China, Futures Association of China,

Asset Management Association of China, China Securities Information Technology Service Co., Ltd.

2. Labor Security, Law-abiding and Honest Enterprise (2018–2020)

Issued by: Chongqing Municipal Bureau of Human Resources and Social Security

SECTION 2 COMPANY INFORMATION (Continued)

3. 2021 Outstanding Member Gold Award

Issued by: China Financial Futures Exchange

4. 2021 Outstanding Members Award, Outstanding Members Award for Institutional Services, Integrated Business Platform Construction Award, Options Market Service Award, Agricultural Industry Service Award, Agricultural Industry Service Award (Dalian branch)

Issued by: Zhengzhou Commodity Exchange

5. 2021 Gold Award for Outstanding Members, Outstanding OTC Market Construction Award, Outstanding Agricultural Products Industry Service Award, Outstanding Energy and Chemical Industry Service Award, Outstanding Iron and Steel and Raw Fuel Industry Service Award, Outstanding Options Market Service Award, Outstanding Rural Revitalization Award

Issued by: Dalian Commodity Exchange

6. 2021 Award for Outstanding Members, Options Market Service and Excellent Investment Research Team

Issued by: Shanghai Futures Exchange

7. 2021 Outstanding Defending Unit of Chongqing Financial Industry Network Security Competition (Network Security Attack and Defense Drill)

Issued by: Chongqing Business Management Department of the People's Bank of China

8. Outstanding Customer Service Award, Outstanding Investor Education Award

Issued by: Financial Sector

9. 14th China Best Futures Operator and Analyst Award: Best Futures Company in China, Best Commodity Futures Industry Service, Best Financial Futures Service, Best Derivatives Integrated Service Innovation Award, Best Corporate Brand Building Award, Gold Medal Management Team of China Futures Companies, China Gold Medal Futures Research Institute, Best Targeted Poverty Alleviation and Charity Award, Most Popular Official Account for Futures Operation Institutions, Best Risk Management Subsidiary Service Innovation Award, Best China Futures Operation Branch, Best Futures Research Institution Leader

Issued by: Futures Daily, Securities Times

SECTION 2 COMPANY INFORMATION (Continued)

10. 2021 Mobile Financial Client Application Enterprise Standard “Leader”

Issued by: Securities Association of China, Futures Association of China, Asset Management Association of China, China Securities Information Technology Service Co., Ltd.

China Securities Capital

1. 1st Best PE/VC Selection in New Wealth Selection Innovative Investment Practice Award for Broker’s Private Equity Subsidiary

Issued by: NewFortune

2. the 5th Golden Bull Broker’s Equity Investment Wining Institutions in 2021

Issued by: China Securities Journal

3. 2021 Top 50 Private Equity Investment Institutions in China, 2021 Top 50 China State-owned Institutional Investors

Issued by: Zero2IPO Group

4. 2020 Best Broker’s Private Equity Fund Subsidiary in China, Best Chinese Private Equity Investment Institute in China, Best Private Equity Investment Institute

Issued by: China Venture

5. 2021 TOP 50 Investment Institute

Issued by: China Business Network

China Securities International

1. Top Breakthrough Participant, Currency Futures

Issued by: HKEX

SECTION 3 FINANCIAL SUMMARY

KEY ACCOUNTING DATA

Unit: RMB million

Items	2021	2020	Increase/ decrease as compared to the same period last year (%)	2019
Total revenue and other income	39,033	30,720	27.06	19,407
Operating profit	13,019	12,114	7.47	7,161
Profit before income tax	13,021	12,126	7.38	7,154
Net profit attributable to equity holders of the Company	10,239	9,509	7.67	5,502
Net cash flow from operating activities	-6,655	-38,308	N/A	17,692

Unit: RMB million

Items	December 31, 2021	December 31, 2020	Increase/ decrease as compared to the same period last year (%)	December 31, 2019
Total assets	452,791	371,228	21.97	285,670
Total liabilities	372,785	303,157	22.97	228,775
Equity attributable to equity holders of the Company	79,818	67,735	17.84	56,582
Total share capital	7,757	7,757	–	7,646

SECTION 3 FINANCIAL SUMMARY (Continued)

KEY FINANCIAL INDICATORS

Items	2021	2020	Increase/ decrease as compared to the same period last year (%)	2019
Basic earnings per Share (RMB Yuan/Share)	1.25	1.20	4.17	0.67
Diluted earnings per Share (RMB Yuan/Share)	1.25	1.20	4.17	0.67
Return on weighted average equity (%)	15.86	18.12	Decreased by 2.26 percentage points	11.54

Note: Earnings per Share and the return on weighted average equity above are calculated in accordance with the International Accounting Standards, and might be different from those calculated in accordance with the relevant regulations stipulated under the Standards Concerning the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) issued by CSRC.

Items	December 31, 2021	December 31, 2020	Increase/ decrease as compared to the same period last year (%)	December 31, 2019
Net assets per Share attributable to equity holders of the Company (RMB Yuan/Share)	10.29	8.73	17.87	7.40
Gearing ratio (%)	77.76	77.04	Increased by 0.72 percentage points	75.37

Note: In calculating the gearing ratio for the Reporting Period as indicated in the table above, accounts payable to brokerage clients have been excluded from the assets and the liabilities.

In calculating the net assets per Share attributable to equity holders of the Company as indicated in the table above, the perpetual bonds issued by the Company was included in the net assets attributable to equity holders of the Company. After excluding such impact, the net assets per Share attributable to ordinary shareholders of the Company as at the end of Reporting Period was RMB8.36 (December 31, 2020: RMB7.45).

SECTION 3 FINANCIAL SUMMARY (Continued)

NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS OF THE COMPANY

Items	December 31, 2021	December 31, 2020
Net capital (<i>RMB million</i>)	66,932	65,035
Net assets (<i>RMB million</i>)	76,441	65,311
Total risk capital reserves (<i>RMB million</i>)	23,729	21,027
Risk coverage ratio (%)	282.07	309.29
Capital leverage ratio (%)	15.85	20.16
Liquidity coverage ratio (%)	228.96	215.93
Net stable funding ratio (%)	137.31	156.82
Net capital/net assets (%)	87.56	99.58
Net capital/liabilities (%)	24.98	30.24
Net assets/liabilities (%)	28.53	30.36
Proprietary equity securities and securities derivatives/net capital (%)	12.97	19.64
Proprietary non-equity securities and securities derivatives/net capital (%)	258.72	236.63

Note: All risk control indicators of the Company complied with the relevant requirements of the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) issued by the CSRC.

SECTION 3 FINANCIAL SUMMARY (Continued)

FINANCIAL POSITION FOR THE LAST FIVE YEARS

Profit Status

Unit: RMB million

Items	2021	2020	2019	2018	2017
Total revenue and other income	39,033	30,720	19,407	16,492	16,421
Total expenses	26,014	18,606	12,245	12,448	11,072
Share of profits and losses of associates	2	12	-8	8	6
Profit before income tax	13,021	12,126	7,154	4,051	5,355
Net profit attributable to equity holders of the Company	10,239	9,509	5,502	3,087	4,015

Assets Status

Unit: RMB million

Items	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Share capital	7,757	7,757	7,646	7,646	7,246
Total equity	80,006	68,071	56,895	47,863	43,999
Equity attributable to equity holders of the Company	79,818	67,735	56,582	47,577	43,754
Total liabilities	372,785	303,157	228,775	147,219	161,885
Accounts payable to brokerage clients	93,083	74,710	54,626	35,039	41,417
Total assets	452,791	371,228	285,670	195,082	205,883

SECTION 3 FINANCIAL SUMMARY (Continued)

KEY FINANCIAL INDICATORS

Items	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Dividends per Share (RMB Yuan) (budget)	0.395	0.375	0.235	0.18	0.18
Basic earnings per Share (RMB Yuan)	1.25	1.20	0.67	0.37	0.51
Diluted earnings per Share (RMB Yuan)	1.25	1.20	0.67	0.37	0.51
Return on weighted average equity (%)	15.86	18.12	11.54	6.78	9.92
Gearing ratio (%)	77.76	77.04	75.37	70.09	73.25

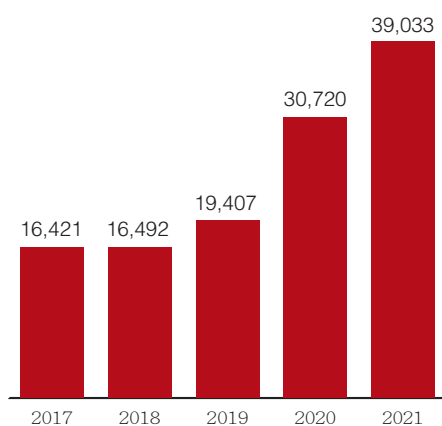
Notes:

- (1) Accounts payable to brokerage clients represent the amount received from and repayable to clients arising from the normal course of the Group's securities brokerage business. Such amounts are subject to regulation of third-party depository institutions.
- (2) In calculating the gearing ratio for the Reporting Period of the table above, accounts payable to brokerage clients have been excluded from the assets and the liabilities.

SECTION 3 FINANCIAL SUMMARY (Continued)

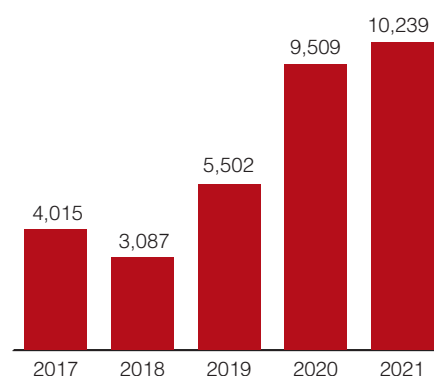
Total revenue and other income

(Unit: RMB million)



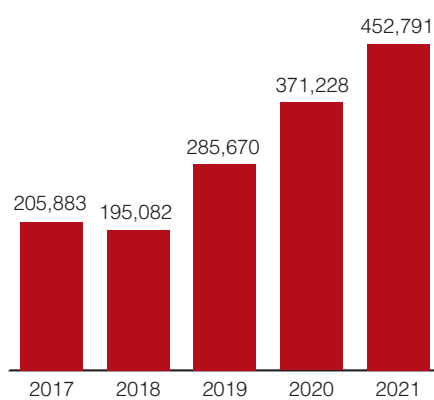
Net profit attributable to the equity holders of the Company

(Unit: RMB million)



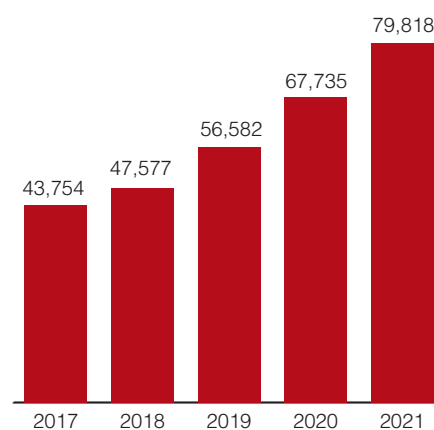
Total assets

(Unit: RMB million)

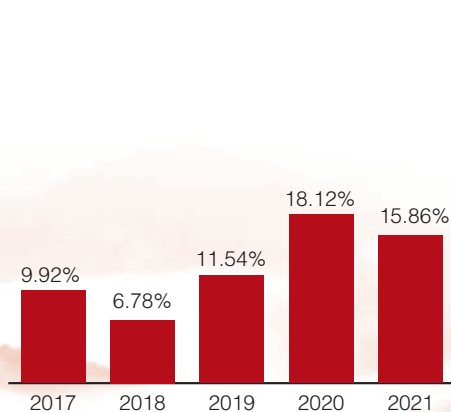


Equity attributable to the equity holders of the Company

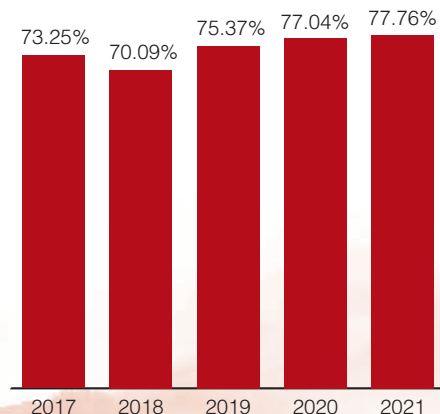
(Unit: RMB million)



Return on weighted average equity



Gearing ratio



SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

(I) Overview

As of December 31, 2021, the total assets of the Group were RMB452,791 million, representing a year-on-year (“YoY”) increase of 21.97% as compared to that on December 31, 2020. Equity attributable to equity holders of the Company was RMB79,818 million, representing an increase of 17.84% as compared to that on December 31, 2020. During the Reporting Period, total revenue and other income of the Group amounted to RMB39,033 million in aggregate, representing a YoY increase of 27.06%. Total expenses amounted to RMB26,014 million, representing a YoY increase of 39.82%. Net profit attributable to equity holders of the Company amounted to RMB10,239 million, representing a YoY increase of 7.67%.

(II) Analysis of Principal Businesses

The principal businesses of the Group comprise four segments: investment banking business, wealth management business, trading and institutional client services business and asset management business. During the Reporting Period, total revenue and other income of the investment banking segment amounted to RMB5,963 million in aggregate, representing a YoY decrease of 3.57%. Total revenue and other income of the wealth management segment amounted to RMB9,656 million in aggregate, representing a YoY increase of 16.27%. Total revenue and other income of the trading and institutional client services segment amounted to RMB14,188 million in aggregate, representing a YoY increase of 13.12%. Total revenue and other income of the asset management segment amounted to RMB1,897 million in aggregate, representing a YoY increase of 9.27%.

1. *Investment Banking Segment*

(1) *Equity Financing Business*

In 2021, the registration system reform was steadily advanced, the Beijing Stock Exchange officially operated, and the main board of SZSE merged with the SME board. A total of 993 equity financing projects from the three exchanges were issued, representing a year-on-year increase of 27.31%, and the funds raised amounted to RMB1,315.351 billion, representing a year-on-year increase of 18.96%, among which 520 IPO projects raised funds amounting to RMB603.001 billion, representing a year-on-year increase of 17.38% and 24.65%, respectively; 473 equity refinancing projects raised funds amounting to RMB712.350 billion, representing a year-on-year increase of 40.36% and 14.54%, respectively. (Source: Wind Information, statistics on issue date, excluding asset-based private placement)

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

In 2021, the Company completed 100 equity financing projects, with a lead underwriting amount of RMB139.284 billion, ranking No. 2 and No. 3 in the industry respectively, among which the number of equity projects underwritten as a lead underwriter was 47, with a lead underwriting scale of RMB53.352 billion, ranking No. 2 and No. 3 in the industry, respectively; the number of equity refinancing as a lead underwriter was 53, with a lead underwriting scale of RMB85.932 billion, ranking No. 2 in the industry. The Company assisted two major operators, China Telecom and China Mobile, to return to A-share market for IPOs, completed the IPO of DR Corporation, with the annual largest financing size in Guangdong Province, and completed IPO projects in strategic emerging fields covering semiconductor, medicine and new materials, for instance, Fudan Microelectronics, GalaxyCore, Focuslight Technology, Huiyu Pharmaceutical, Kaili Catalyst & New Materials and ZEC, as well as equity refinancing projects such as NAURA, Guangzhou Development and Yunan Aluminium Co., Ltd.. In addition, the Company also completed 13 convertible bond projects with a lead underwriting scale of RMB32.824 billion, including the Industrial Bank convertible bond project with the largest A-share issuance. (Source: statistics of the Company and Wind Info)

In the first batch of 81 companies listed on the Beijing Stock Exchange, the Company sponsored 12 companies, ranking No. 1 in the market, and achieved the “three consecutive championships” in the registration system of the STAR Market, GEM and the first batch of listed enterprise sponsors on the Beijing Stock Exchange. In 2021, the Company sponsored 7 IPO projects of central enterprises, ranking No. 1 in the industry for three consecutive years. In 2021, the Company completed the scheduled addition of 12 companies listed on the NEEQ, raising funds of RMB528 million. As of the end of the reporting period, the Company continued to supervise 32 innovative companies on the NEEQ. (Source: National Equities Exchange and Quotations, Choice Financial Terminal)

For project reserves, as of the end of the Reporting Period, the Company had 68 projects under review, ranking No. 2 in the industry; the Company had 27 equity refinancing projects (including convertible bonds) pending review, tying for No. 1 in the industry. (Source: disclosure of review by CSRC, statistics of the Company and Wind Info)

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Details of the Company's equity financing sponsorship and underwriting in 2021:

Items	2021		2020	
	Amount of lead underwriting (RMB'00 million)	Number of offerings	Amount of lead underwriting (RMB'00 million)	Number of offerings
IPO	533.52	47	849.69	47
Refinancing Issuance	859.32	53	786.78	29
Total	1,392.84	100	1,636.47	76

Source: Statistics of the Company

Note 1: The statistical scope of refinancing includes allotment of shares, public placement, financing-oriented private placement (inclusive of non-public issuance, reorganization ancillary financing), preference shares, but excludes asset-oriented private placement.

Note 2: In order to maintain the same caliber, the 2020 IPO data have added the selected layer of the NEEQ (now transferred to the Beijing Stock Exchange) completed that year.

For oversea equity financing business, in 2021, China Securities International completed 3 IPOs in Hong Kong market. The equity financing proceeds totaled HK\$4.182 billion.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Outlook for 2022

In 2022, the macroeconomic stability will take the lead, and financial policies such as the full implementation of the stock issuance registration system is expected to be implemented, so as to better play the important role of the capital market in serving the real economy. The equity financing business of the Company will further consolidate industry and regional division of labor, actively integrate into major national development strategies, support strategic emerging industries, and promote high-quality development, as well as enhance project quality control, and perform the responsibilities of an intermediary agency in compliance with laws and regulations, keep up with the market and strengthen valuation, pricing and sales. The Company will continue to promote the in-depth implementation of domestic and overseas integration, and promote the Hong Kong equity financing business to a new level, strengthen investment and coordinated development with other businesses of the Company, and enhance comprehensive service capabilities to customers . In terms of the NEEQ business, the Company will intensify the development of high-quality enterprises, actively undertake high-quality NEEQ projects, and further strengthen the Company's leading position in the business of the CBEX. For international business, China Securities International will continue to expand its business scope to meet the needs of current and future business development, diversify different types of products, such as the homecoming of China Concept Stocks, privatization of Hong Kong listed companies and cross-border acquisitions, and keep providing high-quality services such as listing sponsorship and securities underwriting services.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(2) Debt Financing Business

In 2021, the bond market showed a volatile trend, and the level of one-year fixed deposit interest rate moved downward. Macroeconomic operation continued to recover. The Central Bank's prudent monetary policy was flexible, accurate, reasonable and appropriate, maintained continuity, stability and sustainability, maintained the necessary support for economic recovery, effectively prevented and controlled financial risks and served the real economy.

In 2021, the Company's debt financing business continued to maintain a good momentum of development, and the number and scale of bond underwriters once again hit a record high, with a total of 2,467 lead underwriting projects completed, and the lead underwriting scale was RMB1,529.37 billion, ranking the top two in the industry for seven consecutive years. Among them, there were 699 lead underwriters of corporate bonds, with a lead underwriting scale of RMB457.22 billion, ranking first in the industry for seven consecutive years. In 2021, the Company, as the lead underwriter, issued green bonds for more than 40 enterprises such as China Yangtze Power, China Railway Investment and Industrial Bank Financial Leasing, including the first batch of carbon neutral special corporate bonds of China Energy Investment Corporation, China Three Gorges Corporation and other exchanges; as the lead underwriter, the Company issued RMB41.5 billion of undated capital bonds for the Bank of Communications, which is the largest undated capital bonds issued by the Bank of Communications in a single application; as the lead underwriter, the Company issued RMB0.5 billion of corporate bonds for Jiangxi Communications Investment Group, the first special corporate bond for rural revitalization of Shanghai Stock Exchange; as the lead underwriter, the Company issued RMB1 billion of green renewable corporate bonds for Fujian Huadian Furui Energy Development Co., Ltd., which is the first blue bond in the PRC.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Details of debt financing business of the Company in 2021 are as follows:

item	2021			2020		
	Lead underwriting (RMB'00 million)	Total project scale (RMB'00 million)	Number of offerings	Lead underwriting (RMB'00 million)	Total project scale (RMB'00 million)	Number of offerings
Corporate bonds	4,572.20	10,127.03	699	4,406.59	9,200.28	601
Enterprise bonds	417.61	879.30	71	325.50	744.00	53
Convertible bonds	253.24	625.30	12	305.00	505.34	26
Financial bonds	2,451.75	14,384.55	103	1,725.45	11,829.30	89
Others	7,598.90	40,429.46	1,582	5,349.43	43,620.91	1,609
Total	15,293.70	66,445.64	2,467	12,111.97	65,899.83	2,378

Source: Statistics of the Company

Note: "Others" mainly consist of medium-term notes, short-term commercial papers, private placement notes, asset-backed securitization, government-backed agency bonds and exchangeable bonds.

For overseas business, in 2021, China Securities International participated in and completed 101 bond underwriting projects in offshore market, with an underwriting scale of HK\$299.9 billion, including 42 global coordinator projects, with an underwriting scale of HK\$115.5 billion.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Outlook for 2022

In 2022, in addition to consolidating and maintaining the market competitiveness of traditional advantageous business type, the Company will further strengthen the service of banks, listed companies and industry customers, strive to establish new project reserves including debt financing instruments of non-financial enterprises, financial bonds, and corporate bonds, develop innovative business such as project revenue bonds, special-purpose bonds, perpetual bonds, asset-backed security, Panda Bonds, exchangeable bond, debt-to-equity swap of central government-owned enterprises, in order to provide a full range of products, achieve balanced development and keep improving its overall strength in debt financing business. For overseas business, China Securities International will actively develop offshore bond projects of Chinese enterprises, act as global coordinator and bookrunner, and continuously develop rating advisory services. Besides, the Company will enrich the dimension of debt financing products and services, and try to expand related fixed income products abroad, such as liability management and overseas real estate investment trust under the background of accelerating the integration of domestic and overseas teams.

(3) *Financial Advisory Business*

In 2021, a total of 98 A-share projects completed the acquisition of assets through issuance of shares and major asset restructuring projects. Among them, the Company completed ten projects of the acquisition of assets through issuance of shares and major asset restructuring, ranking No. 3 in the industry; the transaction amount was RMB62.7 billion, ranking No. 3 in the industry. In terms of project reserves, as of the end of the Reporting Period, the Company has 3 projects under review, ranking No. 2 in the industry. (Source: Wind Info and statistics of the Company)

For overseas business, as of end of the Reporting Period, China Securities International completed three financial advisory projects in the Hong Kong market.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Outlook for 2022

In 2022, the Company will adhere to customer-centered, do a good job in strategic customer service, strive to grasp the M&A opportunities of state-owned enterprise integration and industrial structure adjustment, continue to consolidate its position in the field of financial advisers for bankruptcy restructuring and debt restructuring of listed companies, strengthen the development of cross-border M&A related businesses, and further improve the comprehensive strength of the Company's M&A business.

For oversea business, in 2022, China Securities International will continue to explore cross-border acquisitions, Pre-IPO financing and privatization.

2. Wealth Management Segment

(1) Brokerage and Wealth Management Business

In 2021, the average daily turnover of market equity funds was RMB994.5 billion, representing a YoY increase of 24%. (Source: SSE and SZSE) As the competition among securities firms was increasingly fierce on commission rate, business flow, service approach, service provided and expertise of employees, the brokerage business faced severe challenges. The Company endeavored to establish an integrated client services platform and ecological chain to develop businesses covering financial products, margin financing and securities lending, the NEEQ, investment advisory services, futures, options and precious metals business through resource integration. The Company, with customer-oriented culture, continued to strengthen the core competitiveness of brokerage business with clients as the focus through raising the standard of service and enhancing procedures, and strived to fulfill diversified wealth management, investment and financing needs of clients at different levels.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

With respect to securities brokerage business, in 2021, the Company's net income from the securities brokerage business accounted for 3.40% of the market share, representing a YoY increase of 2.41%, ranking 9 in the industry; as of the end of the Reporting Period, the trading volume market share of the Company's agency sales of equity funds was 3.56%, representing a YoY increase of 7.55%; the sales volume of key financial products was RMB107.7 billion, and the net income from the distribution of financial products had a market share of 4.70%, representing a YoY increase of 11.64%, ranked 6 in the industry; the number of new customers was 1,153,600; the total number of clients' capital accounts was 10,231,500, with a market share of 3.44%, ranking 10 in the industry; the market value of securities under custody for the Company's clients was RMB5.59 trillion with a market share of 7.91%, ranked 2 in the industry (Sources: SSE, SZSE, China Securities Depository and Clearing Corporation Limited, The Securities Association of China and statistics of the Company). The Company continued to optimize the experience of Qingting Dianjin APP, a mobile application, with average monthly active customers ranked No.7 in the industry. The Company also continued to consolidate its leading advantage in online investment advisory service platform. The pilot project of fund investment advisory business has been in smooth progress, with a total of 91,800 contracts signed. The Company kept optimizing its financial product system and continuously perfecting supply of various products. As of the end of the Reporting Period, the Company had 312 branches (excluding Shanghai Free Trade Zone Branch), of which 57% were located in the Five Provinces and Two Municipalities (Beijing, Shanghai, Guangdong, Fujian, Zhejiang, Jiangsu and Shandong), and among which 54 branches were in Beijing. The Company is the securities company with the largest number of securities branches established in Beijing. The numerous and orderly distributed securities sales network have established a solid client base for the development of brokerage and wealth management businesses of the Company.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

In terms of futures brokerage business, in 2021, affected by the continuation of the pandemic and other factors, the price of bulk commodities fluctuated sharply, and various entity enterprises had a strong demand for risk management by using futures and derivatives markets. The scale of clients' rights and interests in the domestic futures market realized a breakthrough of a trillion Renminbi for the first time. The trading volume and turnover of the futures market increased significantly YoY. The cumulative trading volume and turnover of China's futures market were 7.514 billion lots and RMB581.20 trillion, respectively, representing a YoY increase of 22.13% and 32.84%, respectively. In 2021, CSC's futures operating revenue and net profit both reached the new record for two consecutive years, achieving an agency transaction volume of RMB13.94 trillion, representing a YoY increase of 21.92%; there were 23,339 new customers, representing a YoY decrease of 1.92%. As of the end of the Reporting Period, the scale of customer equity was RMB20.565 billion, representing a YoY increase of 44.29%. As of the end of the Reporting Period, China Securities Futures had set up 26 branches and a subsidiary in charge of risk management in Chongqing, which has laid a solid foundation for futures brokerage and development of risk management business.

For the overseas business, in 2021, the aggregate transaction amount of stock agency of China Securities International was HK\$67,370 million, representing a YoY increase of 56%, with 11,708 new clients, representing a YoY increase of 304%; as of the end of the Reporting Period, 22,101 clients in aggregate, and the total market value of the stock under custody for the Company's clients' accounts was HK\$23,364 million.

Outlook for 2022

In 2022, the Company will continue to focus on increasing income from securities brokerage and market shares in key regions, enhance the power of financial technology, optimize service system, improve operation efficiency and prevent operation related risks in view of customers' key pain points in both trading and investment, continue to build the brand of "good investment advisor, good products and good transactions", and continue to promote the transformation and development of wealth management.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

For the overseas business, China Securities International, as an extension of the Company's securities business overseas, will continue to rely on the Company's domestic resources to serve the overseas investment needs of domestic customers. On the one hand, China Securities International will continuously improve its various investment platforms and enrich the types of overseas investment products to meet the diversified overseas investment needs of customers, so as to expand the scale of customers, on the other hand, China Securities International will continuously strengthen the service quality and improve the customer experience to facilitate the smooth progress of customers' overseas investment and the preservation and appreciation of overseas assets with professional and international services. While continuing to expand and strengthen the overseas securities investment business, the China Securities International will also focus on the development of overseas futures business, overseas fund investment and overseas insurance business, and build an overseas comprehensive wealth management service platform.

(2) *Margin Financing and Securities Lending Business*

In 2021, the scale of margin financing and securities lending business in the whole market slightly increased. As of the end of the Reporting Period, the balance of margin financing and securities lending in Shanghai and Shenzhen stock markets was RMB1,832.191 billion, representing a YoY increase of 13.17%. As of the end of the Reporting Period, the balance of margin financing and securities lending of the Company was RMB67,016 million, representing a YoY increase of 21.51%, and the market share was 3.66%, representing a YoY increase of 0.25 percentage point; the Company ranked No. 10 in the industry in terms of interest income from margin financing and securities lending. There were 168,700 margin financing and securities lending accounts, representing a YoY increase of 6.46%. (Source: Wind Info, the Securities Association of China and statistics of the Company)

For the overseas business, China Securities International follows the principle of risk management and financing business and serves the real transaction needs to carry out financing business. Based on the management of customers' credit and securities held, China Securities International strives to meet customers' investment and financing needs and promotes the development of financing business with the improvement of customers' asset scale. As of the end of the Reporting Period, the balance of financing business of China Securities International was HK\$170 million, representing a YoY increase of 56%.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Outlook for 2022

In 2022, the Company will strive to improve the depth of service to high net worth customers, and further improve the professional service ability by expanding business channels, enhancing departmental cooperation, enriching business models and other measures; at the same time, strengthen scientific and technological empowerment, build customer online service ecology and digital operation system, continue to promote the development of tiered customer service system, and provide automatic, intelligent and differentiated service plan based on customer category and layered management with collateral.

For overseas business, China Securities International will adhere to the principle of prioritizing risk control, identify the financing demands of transaction customers, and provide customers with all-round comprehensive investment and financing services.

(3) *Repurchase Business*

In 2021, stock pledge business related risks were further alleviated. However, affected by strict regulations and new underperform rules, authorities introduced stricter rules on approving such business, collateralized stock repurchase business continued to shrink. As of the end of the Reporting Period, the balance of principal of collateralized stock repurchase business of the Company was RMB10,429 million, among which, scale of investment (in the table) of collateralized stock repurchase business amounted to RMB4,345 million, with an average collateral coverage ratio of 322.15%; the balance of principal of management (off the table) collateralized stock repurchase business amounted to RMB6,085 million; the Company ranked No. 9 in the industry in terms of interest income from collateralized stock repurchase. (Source: the Securities Association of China and the statistics of the Company)

Outlook for 2022

In 2022, under the prerequisite of ensuring risks which can be measured, controlled and at a tolerable level, the Company will stably and prudently carry out stock pledge repurchase business. It will accelerate resources integration, and provide a basket of business solutions to the strategic customers. Leveraging on the investment and research capabilities of the Company, the Company will strengthen risk identification on listed companies. The Company will, through restructuring of its business structure, further improve asset quality of its stock pledge repurchase business.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3. *Trading and Institutional Client Services*

(1) *Equity Sales and Trading Business*

The equity sales and trading business of the Company mainly provides trading, advisory and research services, and distributes equity securities underwritten by the Company to institutional clients. The Company also engages in proprietary trading and market-making activities of stocks, funds, ETF, and financial derivatives including stock index futures, commodity futures, options and total return swaps. It provides clients with customized options and swaps products linked to various types of assets to meet the hedging and investment demand of institutional clients.

With respect to the securities trading business, in 2021, under the market environment of high volatility and rapid rotation of segments, the Company's stock trading business adhered to the business positioning of absolute returns and strengthened risk control. With respect to the derivatives trading business, along with the stable development of the existing business, the Company actively explored new business models in the derivatives trading business to enhance its investment strategies using its own funds to provide solutions to meet the needs of our clients. The Company further diversified the investment variety, expanded the scope of market-making services and provided liquidity and market making services for fund products, options and products futures varieties of stock exchange. The Company stably promoted the OTC derivatives business including OTC options and income swaps, actively explored new types of linked subjects and revenue structure to meet the personalized investment needs of clients. Meanwhile, the Company actively deployed cross-border derivatives business, effectively meeting the various business needs of domestic and foreign institutional customers. In 2021, the Company established its own strategic index "CITIC Capital Global Multi-Asset Risk Parity Index", which covers the most representative asset classes in the world, including domestic and overseas equities, treasury bonds and credit bonds, with full diversification across countries and asset classes, and use risk parity technology to optimise allocation and diversify risk, thereby achieving the goal of cyclical. In 2021, the increase in the scale of OTC option business of the Company was RMB343.447 billion, representing an increase of 39.34% year-on-year, and the increase in the scale of return swaps business was RMB102.961 billion, representing an increase of 150.83% year-on-year.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

With respect to stock sale business, in 2021, the Company completed 100 stock sale projects as a lead underwriter, with a cumulative sales amount of RMB139,284 million, including 47 IPOs, 52 non-public share issuance, and 1 placing, and completed 13 convertible bond projects. The Company's overall stock sales business achieved new success and completed multiple projects with high market influence: the underwriting amount of IPO projects and equity refinancing projects ranked No. 3 and No. 2 in the industry respectively. (Source: Company Statistics and Wind Info)

For the overseas business, in 2021, China Securities International has further constructed a cross-industry, cross-market research service matrix, constantly improving the service system for customers of multi-strategic buyer institutions, further enhancing its influence in the secondary stock market in Hong Kong and gradually establishing brand awareness.

Outlook for 2022

In 2022, the Company will continue to keep closer abreast of macro-economic situation, fiscal and monetary policies and extensively research industry and individual share opportunities as to its equity sales and trading business. Upholding the value investing concept, keeping close abreast of changes in fundamentals of investment subject and implementing segment and individual share configuration, the Company will promote the diversification of variety of investment product. In addition, the Company strictly monitor positions and effectively control risks. In order to satisfy clients' needs for asset allocation and risk management, the Company will steadily develop the OTC derivative business, increase resource investment in market-making and continuously promote implementation of cross-border investments to satisfy various needs of clients and improve its investment system using its own funds.

For overseas business, China Securities International will fully promote the support of overseas investment research business for the sales of stocks and trading business, and continuously expand institutional customers of renowned buyers, so as to further build the Company's overseas research brand.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(2) *Fixed Income Products Sales and Trading Business*

In 2021, the Company maintained a stable pattern in proprietary investment, accurately grasped the market conditions, flexibly adjusted investment strategies, comprehensively deployed cash bonds and various derivative product management positions, and actively expanded non-directional trading business at the same time. The return on assets far exceeds the market average level; “Bond Connect” (Northbound Trading) market-making business is among the top 5 in the industry. (Source: Company Statistics) The foreign exchange business uses spot and various derivatives and currency pairs to carry out transactions, and its revenue ranks among the top in the industry.

The fixed income sales business continues to maintain its leading position in the industry. Credit bonds underwriting scale ranked No. 1 among domestic financial institutions (Source: Bloomberg L.P.). The underwriting amount and number of corporate bonds both ranked No. 1 in the market for seven consecutive years, underwriting amount for association products ranked No. 1 in the market for four consecutive years; underwriting amount of local bonds ranked top 2 among securities companies for five consecutive years, underwriting amount of financial securities firms ranked No. 2 in the market, underwriting amount of bank credit asset-backed securities ranked top 3 in the market, underwriting amount of asset-backed securities project ranked No. 4 in the market. (Source: Wind Info) In addition, term and types of products with independent collection, such as “Gushoubao”, “Guyilian”, “Zhaineiying” and “Zhai e Tong”, were constantly enriched, and the brand awareness was greatly improved.

For the overseas business, the integrated business in Hong Kong has been fully implemented, and the internal operation and management system has been initially set up and is running smoothly. The business types and specific varieties of FICC investment, market-making and counterparty trading are increasingly enriched, the scale of business steadily increases, with sound performance of the risk control ability and investment yield. Chinese-funded USD bond underwriting amount of China Securities International and its project numbers ranked No. 5 among Chinese securities firms in 2021. (Source: Bloomberg L.P.)

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Outlook for 2022

In 2022, FICC business of the Company will actively implement the development strategy of “internationalization and digitization”, uphold the business philosophy of “professionalism, customer first, international vision and pursuit of excellence”, and strive to become a reliable product supplier, strategy provider and transaction service provider for domestic and overseas customers. The Company will continue to improve its multi-asset sales and trading ability to serve domestic and foreign customers, and build a bridge connecting domestic and foreign customers with the fixed income capital market. Actively expand domestic and overseas bond, foreign exchange, commodities and related derivatives business, establish a rich and complete fixed income product series, integrate domestic and overseas integrated sales resources, cover more types of domestic and overseas customers, and help domestic customers “go global” and overseas customers “bring in” with excellent product design and pricing capabilities.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(3) *Investment Research Business*

The investment research business of the Company mainly provides institutional clients with research consultation services covering certain aspects, including macro-economy, fixed income, strategy, financial engineering, large-scale asset allocation, fund research and industry research. The Company's clients mainly include the National Social Security Fund, all mainstream public funds, issuance asset management cooperation, bank, security private equity funds, equity fund, oversea financial institutions and other institutions. The Company provides clients with professional security research reports and various kinds of tailored research services. In the first half of 2021 the income from, public fund commissions of the Company accounted for 4.56%, ranking No. 4 in the industry (data source: Wind Info). In 2021, the Company further improved the research business product matrix system, enriched diversified digital research products and empowered the business with the help of data governance, so as to provide institutional investors with efficient and high-quality research services. Meanwhile, the Company invested heavily in human resources for its research business and continued to improve the full coverage of the research field. As at the end of the Reporting Period, the Company's research and sale teams comprised 229 members, and the research business is divided into 10 research groups covering 36 research fields. During the Reporting Period, the Company completed 5,238 securities research reports, provided 36,168 online and offline roadshow and 2,225 surveys for institutional clients, and successfully organized large-scale conferences and various other professional research service activities including "the most beautiful Chinese red, the wind just in time to sail the annual capital market summit 2022" and "Carbon Peak, Carbon Neutrality and Investment Summit in 2021", "Exchange Meeting of Companies Listed during Spring". The Company has continuously promoted the internationalization of its research business, established an integrated management system for research business, and has provided research services to dozens of overseas large-scale asset management institutional clients. The Company's research business is also committed to providing policy research support for government departments and regulatory agencies.

For the overseas business, China Securities International fully gives play to the advantages of cross-market research resources such as A shares and Hong Kong stock market, provides high-quality research services according to the investment preferences of overseas institutional customers, and further enhances the popularity of research business in Hong Kong and overseas markets.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Outlook for 2022

In 2022, the Company's research business will continue to strengthen the three core directions of internationalization, financial technology and professional deepening. By consolidating the foundation of research work, the Company will comprehensively improve the influence of research business, the research ranking of head customers and diversified profitability. The Company will continue to strengthen its team building, improve the digital service and management level, strengthen the collaborative research of the industrial chain, vigorously strengthen overseas services, increase the income-generating from international business, continuously improve the breadth and depth of research coverage, and provide more comprehensive and in-depth service support for various institutional customers and various business lines of the Company.

(4) *Prime Brokerage Business*

The prime brokerage system of the Company is one of the most comprehensive system with the widest range of supportive systems among the securities brokers in the industry, which supports markets and types of transactions of margin financing and securities lending services, stock index futures, commodity futures stock options, Beijing Stock Exchange, Southbound and over-the-counter public funds trading markets to offer its clients with convenience and favourable experience in carrying out various businesses at the same time. The self-developed algorithmic trading platform within the prime brokerage system maintained a leading position in the industry in terms of the efficiency of execution of algorithmic trading, which is widely recognised and trusted by various clients including those from the banking, insurance, public offering, private equity and enterprises as well as high-net-worth individual clients, including clients of QFII sector. New services such as Beijing Stock Exchange stocks, Shanghai and Shenzhen REITs and commodity futures algorithm trading are also satisfied customers' diversified trading needs. The Company's self-developed special counter for institutional transactions provides financial institutions with independent and more functional trading channels, which is widely recognized by banks, public offerings and insurance customers. The turnover of the main broker business continued to grow, the

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

trading effect of algorithmic trading continued to optimize, and the types and scale of customers continued to expand. As of the end of the Reporting Period, the number of Prime Brokerage Business (PB) existing customers of the Company was 7,088, representing a YoY increase of 80.91%; a total of 21 public fund companies and 9 insurance asset management institution used the Company's algorithm trading services; A total of 94 customers used the agency commissioning service of our Company, with a total of 124 targets.

In 2021, the Company added 31 new custodian public funds, which ranking No.1 among securities firms. As of the end of the Reporting Period, the total scale of asset custody and operation services of the Company was RMB751.247 billion, representing a YoY increase of 85.75%. Among them, there were 4,468 asset custody products and 4,542 operational service products, representing a YoY increase of 72.58% and 85.09% respectively.

Outlook for 2022

In 2022, with the aim to constantly satisfy institutional investors' trading needs, the Company continued to improve its various types of prime brokerage system and counter services for institutions. The embedded algorithmic platform will connect with more trading software and will provide algorithm trading strategies for clients. The Company will keep abreast of the changes in the market environment and regulatory policy changes to further provide diversified and personalised professional trading services, so as to further meet the trading needs of various clients. The Company will take "strengthening the custodian outsourcing business and improve customer service experience" as the major focus, insist on market-oriented approach, digitization-led and intelligent operation, and actively build a sustainable business model to provide high-quality custodian outsourcing operation services to different kinds of custodian institutions.

(5) *QFII Business and RQFII Business*

As a domestic brokerage agency for QFII and RQFII, the Company has accumulated many years of experience in providing QFII and RQFII client services. In 2021, with the help of the Company's first-class investment research service resources, the Company integrated various advantages of the Company's domestic business, uphold the concept of providing full-product, one-stop financial services to QFII and RQFII clients, and continued to explore the international market. In 2021, the Company continued to upgrade and improve our trading system and trading algorithms to support the full range of trading types allowed by the CSRC for QFII and RQFII. The Company continued to optimize our account opening and trading processes and strive to improve customer experience and trading efficiency. At present, the Company has formed a professional institutional service featuring rich investment research services, advanced trading system and trading algorithms.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Outlook for 2022

In 2022, the Company will continue to build a diversified foreign client network, proactively carry out QFII and RQFII businesses with an aim to provide its clients with advanced investment research and trading services, and promote cross-border integrated development by means of specialized sale and services. Under the background of continuous relaxation of QFII and RQFII policies and increasing participation of foreign capital in the domestic capital market, the Company will integrate superior resources and actively coordinate, so as to provide clients with high-level, all-round, diversified, differentiated and integrated financial services.

(6) *Other Investment Businesses*

In 2021, China Securities Investment adhered to the principle of “maintain stable and sustainable development” and the concept of “serve real economy, serve technological innovation, serve economic transformation”, focused on the investment scope with equity investment as the mainstay, pan-equity investment and innovative investment business as the supplement. The Company adhered to large-scale investment and did a good job in project development, reserve and investment layout in an orderly manner by putting strict control over project quality as the top priority, and completed 34 investment projects (including 12 IPO co-investments on STAR Market) with an aggregate investment amount of RMB1,687 million during the Reporting Period.

Outlook for 2022

In 2022, facing the turbulent recovery of the global economy after the COVID-19 pandemic and the tightening of liquidity in major economies, China Securities will continue to adhere to its strategic positioning and investment philosophy, maintain large-scale investment, further improve the investment layout, improve the overall balance of the asset portfolio in terms of industry track, investment varieties and exit methods, as well as enhance the ability to resist market cycles and fluctuations.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4. *Investment Management Segment*

(1) *Asset Management Business of the Securities Company*

In 2021, the Company's asset management business was fully deployed in the fields such as fixed income, equity, quantitative and FOF. The Company accelerated the optimization of its asset management business structure and pushed forward the transformation of active management business. During the Reporting Period, the scale of the Company's actively-managed fixed income products steadily increased; the scale of active management of equity products grew significantly, mainly due to the rapid growth in the "second IPO" under China Securities Value Growth Collection Asset Management Plan and the number of private equity, quantitative and FOF products issued.

The Company has made steady progress in diversifying products, advancing the collective rectification of large-scale collective products, strengthening the construction of equity investment and research system, consolidating the level of compliance construction and the establishment of asset management subsidiaries. The scale of active management has grown rapidly, the asset management capability has been continuously improved, and the business development trend has maintained good. According to the statistics of Securities Association of China, as of the end of the Reporting Period, the entrusted asset management scale of the Company was RMB427.272 billion, and the net income from asset management business was RMB1.012 billion. Among which, the scale of the active management products of the Company was RMB385.814 billion, accounting for 90.30% of the total scale of asset management, representing a YoY increase of 21.63 percentage points.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The scale of the Company's asset management business is as follows:

Unit: RMB '00 million

Name of business type	Scale of asset management	
	December 31, 2021	December 31, 2020
Collective asset management business	1,612.90	501.76
Targeted asset management business	1,286.45	2,982.15
Specialized asset management business	1,373.37	1,418.91
Total	4,272.72	4,902.82

Source: Securities Association of China

Outlook for 2022

In 2022, the Company will fully promote the development of asset management business and steadily improve its active management capability. The Company will continue to diversify asset management products, improve product layout, and form product lines with distinctive themes and features. At the same time, the Company will focus on the construction of refined and multidimensional marketing system, insist on paying equal attention to retail business and institutional business, and increase the breadth and depth of institutional customer coverage while widely radiating various retail channels. Our Company will also fully promote the establishment of asset management subsidiaries, enhance the core competitiveness of business development, build an asset management brand with customer demand as the core, and realize the high-quality development of asset management business.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(2) *Fund Management Business*

In 2021, China Securities Funds focused on public funds as its main business, i.e. focusing on investment, sales and service of public fund products to enhance its market competitiveness. It actively explored its business structure, developed new businesses and continuously enriched its product portfolio. As of the end of the Reporting Period, the AUM of China Securities Funds was RMB59,899 million, including AUM of public offering products of RMB48,291 million, representing a YoY increase of 80.95%; AUM of special account products of RMB11,496 million, representing a YoY decrease of 58.76%; AUM of ABS products of RMB113 million, representing a YoY decrease of 85.08%. As of the end of Reporting Period, China Securities Funds managed a total of 34 public funds (including 12 products established in 2021); 12 of 21 products were included among the top 50% in the market, among which 7 entered top 20% of the market and 6 entered top 10% of the market. (Source: the Securities Association of China, Wind Info and statistics of the Company)

Outlook for 2022

In 2022, through the vigorous development of China Securities Funds' public fund business and the maturity of investment and research capabilities, the Company will continue to diversify its product portfolio, improve its own research strength, improve marketing capabilities, strengthen customer system construction, strengthen internal governance and drive business development to realize a stable growth in management scale and the value preservation and appreciation of the clients' assets, to strengthen its core competitiveness and improve its brand influence.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(3) *Private Equity Investment Business*

In 2021, with the COVID-19 under better control in China, the domestic private equity investment market has shown a rebound in fund raising. The establishment of the Beijing Stock Exchange has broadened the existing exit channel and brought historic opportunities for investment institutions, but has also brought new challenges as well. China Securities Capital continued to follow market hotspots and technological developments, selectively conducted in-depth research in key investment areas, gradually deepened and systemized industry research, so as to improve project development efficiency and investment quality, with an investment in projects completed throughout the year near RMB4,000 million. In 2021, 4 companies invested by China Securities Capital have been listed and 5 portfolio companies invested by China Securities Capital passed the IPO review of the CSRC.

As of the end of the Reporting Period, China Securities Capital operated a total of 54 funds, with a filing scale of RMB53,856 million, representing a filing scale increase of RMB16,419 million over the year. As of the end of the Reporting Period, China Securities Capital completed a total investment of more than 230 companies with a cumulative investment amount of more than RMB14 billion and an average investment yield from exit projects reaching 115%.

Outlook for 2022

In 2022, China Securities Capital will actively respond to the call of the Party Central Committee to serve and promote the development of the real economy, and perform its diligence obligations from the perspective of a private equity fund manager. China Securities Capital will continue to focus on the establishment of large-scale funds, continuously increase the size of our total funds under management and endeavor to improve our ranking in the market; China Securities Capital will continue to strengthen its investment and research abilities, closely focus on investments in hard technologies, specialties and new products, hybrid reform of central enterprises and military projects, and actively deploy in rapidly developing hot tracks such as integrated circuits, semiconductor components and materials and biopharmaceuticals. China Securities Capital will continue to improve its work in risk control, regional development, brand building and business collaboration to create more value for shareholders and investors.

II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

1. Leading innovative business system

The Company has a balanced and all-round investment banking business, a wealth management business with strong sales capabilities, a professional and integrated trading and institutional client services business, and a fast-growing asset management business with huge potential; the Company implemented integrated management of subsidiaries to ensure maximum resources efficiency, comprehensive customer service and large-scale business system. The innovative, leading, healthy and balanced business system ensures that the Company can quickly seize market opportunities and effectively resist business fluctuations, which is the stabilizer for the Company's continuous growth.

2. Well-structured customer base

The Company has a customer base with industry-leading scale, complete and reasonable structure. The Company serves leading enterprises and high-quality companies in various industries, as well as a number of small and medium-sized enterprises with "specialisation, specialisation and innovation"; Maintaining stable cooperation with major financial institutions and investment institutions in the market; At the same time, the Company serves government customers to make good use of the capital market and served tens of millions of personal customers to do a good job in wealth management. In the process of serving corporate customers, institutional customers, government customers and individual customers, the Company actively expanded the Internet business ecosystem, and consolidated customer loyalty with professional, sincere, comprehensive and continuously optimized comprehensive financial services. Customers with reasonable structure and continuous growth have become the foundation for the healthy development of the Company.

3. Comprehensive coverage of channel network

The Company has more than 300 physical outlets across the country, covering major cities and potential regions, and has a wholly-owned subsidiary in Hong Kong, which has professional advantages in providing integrated financial solutions and global capital services. The Company has independently built an industry-leading online smart investment advisory platform. More than 6,000 professional licensed consultants are able to quickly respond to customers' online consultation. The Company is cultivating a professional, young and nationwide content team. On the basis of online and offline interconnection, the Company is creating more diversified, professional and attractive content services, which will become a new growth pole for the Company's channel network.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4. Continuous enhancement of technology research and development

Over the years, the Company has continued to promote digital construction with the standards of “recording, analyzing, measuring and improving all”, strived to realize the same customer management, same business management and unified operation management, and continuously strengthened the deep integration of artificial intelligence, big data, cloud computing, blockchain and other emerging technologies with business scenarios. The Company is orderly promoting and gradually realizing the intelligence of customer service, business processing and operation process. The continuously strengthened research and development capability is the technical basis of empowering employees, empowering management and empowering business.

5. Industry-leading risk control and compliance

The Company has established a scientific and reasonable comprehensive risk management system and compliance management system with clear rights and responsibilities, covering the whole process before, during and after the event, and with strategic foresight. The Company is one of the first batch of six consolidated supervision pilot enterprises in the domestic securities industry, and also one of the first batch of enterprises on the white list of supervision. A prudent, stable and industry-leading risk control and compliance management mechanism is a strong guarantee for the Company’s long-term healthy development.

6. Corporate culture of excellence

Adhering to the core value of “recognition for achievement, ability and position”, the Company has formed 12-character development experience of “following the right path, acting diligently, pursuing simplicity and never turning the skip”. Adhering to the business philosophy of “mutual benefit for others”, the Company has built a corporate culture rooted in employees, growing together with customers and developing together with the market, and is committed to building CSC into a first-class investment bank in China that is trusted by customers, recognized by employees and satisfied by shareholders. The Company has attached great importance to the training and cultivation of cadres and employees at all levels. The talent team has excellent structure, high stability and strong professional ability. It has formed a proactive management team and a diligent and loyal staff team.

7. Strong shareholder background

Beijing Financial Holdings Group Co., Ltd., Central Huijin Investment Ltd. and CITIC Group Corporation, the major investors of the Company, are large state-owned enterprises with strong capital strength, mature capital operation experience, rich market resources and high social recognition, and are important executives of national strategies and important explorers of financial reform.

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry landscape and trends

In the past year, the economic recovery of the PRC has been at the forefront of major global economy. The stable operation in the domestic capital market contributed positive strength to the development of macro economy. Shanghai and Shenzhen stock markets recorded the most active trading levels throughout history, with an annual turnover of RMB257 trillion. The stock and debt financing also reached a record high scale. 1,011 stock financing with a financing volume of RMB1,314.5 billion. Debt financings recorded 20,732, with a financing volume of RMB19.81 trillion. While market indicators reflected upward trend in all aspects, and the security sector has more room for development.

Despite China's current macroeconomy under certain pressure, we have the foundation, condition, confidence and capability to maintain steady, healthy and sustainable economic development given that the characteristics of the economic development of strong resilience, great potential, promising prospects and long-term growth remain unchanged. Following the national policies strengthening organic combination of cross-cycle and counter-cyclical macroeconomic regulation and control, the synergy effects from the "seven policies" in macros, micros, structure, technology, reform and opening up, region and society were sustainably released. China's capital market may effectively finance and optimize the allocation of resources, and proactively participated in international financial markets to expand the scope of international exchanges, which has served as an irreplaceable and positive role in national economic recovery and the long-term stable development of our economy.

In 2022, it is expected that the capital market will go forward to normalise better development trend. Financial institutions will actively integrate into major national development strategies, pay more attention to social equity, data security, industrial chain security and support small and micro enterprises, technology innovation, green development and the "double carbon goal". Under the guidance of the policy, the capital market will give full play to its role in enhancing social and economic development. Securities firms act as "financing arrangers", "wealth managers", "providers of trading services and liquidity", "important investors in the market" and "risk managers", and their strong functions will be further released and leveraged in the course of deepening reform of the capital market.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

The following development trend in the securities industry has become increasingly clear:

First, the growth of residents' wealth and investment needs brought continuous increment in business to the development of the securities industry. Following continuous optimization of new regulation on asset management and other capital market system, the capital market continuously provides more diversified investment choices for the management of residents' wealth. Under the background of deepening the opening up to the world and the pandemic prevention and control, the steady performance of China's economy has attracted continued inflow of foreign investment; the PRC promotes the development of personal pension supplemental mechanism suited to China's national conditions, government policy support, individual voluntary participation and market-oriented operation, creating new business opportunities for the development of securities industry.

Second, the establishment of the Beijing Stock Exchange and the comprehensive registration system reform was conducive to the business development and put forward higher requirements for the professional ability of securities companies. The Beijing Stock Exchange aims to formulate a major platform that services innovative small and medium-sized enterprises, and more "specialised and new" small and medium-sized enterprises would benefit from the capital market services and develop rapidly, contributing to new increment in business to the investment banking business of securities companies. Meanwhile, under the basic system and business logic of the capital market under the comprehensive registration system, securities companies are required not only perform the duties of "gatekeepers", but also build core competitiveness in the acquisition, pricing, sales and comprehensive service capabilities of assets.

Third, institutionalisation of customers put forward higher and more comprehensive requirements for the comprehensive financial service capacity of securities companies. In recent years, the proportion of shares held by institutional investors in the A-share market and the proportion of transaction volume increased significantly. It is expected that such trend will continue to expand. The rapid growth of institutional business with high concentration and strong customer loyalty put forward higher comprehensive requirements for securities companies' business qualifications, capital strength, scale advantages, product design capability, risk control capability, strength of channels, internal synergy, etc..

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Fourth, the globalisation of operation is an important opportunity for domestic securities firms to realise international business increment and enhance the international influence of their own industry. Under the favorable policies such as “dual cycle” and capital account opening, the capital market has steadily promoted institutional opening up, and supported qualified enterprises to realise overseas listing in accordance with law. Opportunities for domestic securities companies to participate in the international capital market have been increasing day by day. Meanwhile, the market, participants and products would move towards a higher level of two-way opening up to create more possibilities for domestic securities companies to participate in international competition and build international first-class securities companies.

Fifth, the transformation of digitalisation has been conducive to the securities industry to further improve service quality and efficiency. Artificial intelligence, block chain, cloud technology and big data and other technologies have been constantly applied in the securities industry data storage, analysis, mining and application scenarios. In the customer end, the continuous deepening of digitalisation would help securities companies expand their business of precision marketing, intelligent customer service, intelligent investment and research. In the management end, the continuous deepening of digitilisation will push forward securities companies to explore more application space of intelligent operation, intelligent risk control, etc.

To sum up, the abovementioned changes are both challenges and rare opportunities for the securities industry. The securities industry is under an unprecedented vital period of development opportunities.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(II) Development Strategies of the Company

The Company strives to be a first-class investment bank in China that is trusted by customers, recognized by employees, and satisfactory to shareholders. The Company kept its mission of “bringing together talents, serving customers, creating value and contributing to society” firmly in mind, and attached great importance to its corporate culture of “people-oriented, learn modestly from others and learn from history”. The Company insisted on the correct and clear strategic direction, balanced the development speed and quality, put risk management in an important position, insisted on the employment ideality of people first and employing people from all corners of the world, so as to the path of healthy development. The Company expects to be committed to improving customer service capability, supporting the real economy, and improving efficiency in wealth accumulation and management through establishing long-term effective strategies, so as to achieve high-quality development of itself along with the securities industry.

In order to materialize above visions, the Company will consolidate its advantage of leading in value-creating ability and attach great importance to promoting work on customer development and customer service to improve service quality; strengthen talent strategy to improve team quality; increase capital and fund strength to optimize and improve balance sheet performance; improve information technology capability to promote digital transformation of the Company; keep improving compliance risk control capability to ensure sound development of the Company; keep increasing modern management and operation capabilities to improve efficiency and benefits.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(III) BUSINESS PLAN

In 2022, the Company will continue to strengthen the Party's construction and continue to integrate the Party's leadership into corporate governance; optimize the Company's asset allocation and achieve the capital replenishment target as soon as possible; enhance the value of internal and external synergy and improve the "four-pronged" synergy model of "group-wide coverage, all-variety docking, all-round innovation and all-body service"; improve the client service system, unify the system system and system optimization plan for client management; expand and strengthen the capital management business, orderly promote the establishment of a capital management subsidiary, improve the investment and research platform and enrich product lines; continue to promote cross-border integration and increase the revenue share of international business; deepen digital transformation and vigorously promote data governance; optimize human resources management and strengthen the talent pool; strengthen compliance and risk control, and do a good job of risk prevention and control beforehand, risk management during the process, and risk response and disposal afterwards; improve the office environment at the headquarters; and fully enhance employees' sense of access.

For specific business plans for each business line, please refer to the "Operation Discussion and Analysis" in this section.

(IV) CAPITAL REQUIREMENT

In 2021, the Company continued to conduct its businesses in a healthy and well-organized manner. During the Reporting Period, in order to satisfy business development requirement, the Company, according to the arrangements of asset and liability management work, successfully completed public offering of nine tranches of subordinated bonds with a total issuance amount of RMB37 billion; public offering of one tranche of perpetual subordinated bonds with an issuance amount of RMB5 billion; non-public offering of one tranche of short-term corporate bonds with a total issuance amount of RMB1 billion. The Company's indirect wholly-owned subsidiary, as the issuer, completed the one tranche of issuance under the guaranteed overseas medium-term notes program, with an issuance amount of US\$500 million; public offering of seventeen tranches of company short-term financing bonds with a total issuance amount of RMB60.8 billion (as of the end of the Reporting Period, outstanding balance to be paid amounted to RMB11 billion); issuance of 782 tranches of structured notes with a total issuance amount of approximately RMB66.2 billion (as of the end of the Reporting Period, the outstanding balance amounted to approximately RMB26.9 billion).

In 2022, the Company will manage the size and structure of liabilities in a scientific manner based on business development needs and maintain a healthy gearing ratio, and properly manage liabilities and liquidity.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(V) ACCESS TO AND ABILITY OF FINANCING

Currently, the Company obtains short-term funds from commercial banks and other investors primarily by way of bond repurchases, inter-bank lending, margin refinancing, issuance of short-term commercial papers, issuance of beneficiary certificates, issuance of short-term financing bonds by securities companies etc., to investors on the SSE, and to commercial banks through inter-bank market, inter-institutional private equity products quotation and service system and OTC market in accordance with the relevant policies and regulations. As of the end of the Reporting Period, as approved by the People's Bank of China, the Company can implement a maximum inter-bank borrowing of RMB32,800 million and a pledged bond repurchase quota in the inter-bank market of RMB49,100 million, with a sufficient credit line for approved large-scale state-owned joint-stock commercial banks, which effectively guaranteed the placements obtained by the Company through monetary market in a timely manner.

In addition, the Company may, subject to market conditions and its own demands, finance by way of equity financing, placing, rights issue, issuance of corporate bonds, financial bonds, subordinated bonds, perpetual subordinated bonds and private placement bonds and other financing methods as approved by the competent authorities.

To maintain a balance between liquidity and profitability, the Company held a number of fixed income products, and changes in interest rates will have direct impact on the interests received from the bank deposits held by the Company, as well as the market price of the bond investment and the investment income. Meanwhile, equity investment of the Company is also impacted, though indirectly, by changes in interest rates. In addition, the Company has subsidiaries which are incorporated outside mainland China, with the amounts invested by the Company denominated in foreign currencies. As the Company has foreign currency denominated capital and assets and has raised funds through the issuance of bonds denominated in foreign currencies by its overseas subsidiaries, changes in exchange rates and overseas market interest rate levels will have certain impacts on the Company.

To maintain the liquidity and profitability of its assets, the Company's proprietary capital is centrally managed by its treasury department. There are also a comprehensive management system and corresponding work flows in place. The Company adjusts the structures of its different classes of assets and liabilities in a timely manner and utilizes corresponding financial tools to mitigate the risks and the impacts of the above factors.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(VI) POTENTIAL RISKS (INCLUDING IMPLEMENTATION OF COMPREHENSIVE RISK MANAGEMENT AND COMPLIANCE RISK CONTROL, AND INVESTMENT IN INFORMATION TECHNOLOGY)

1. *Potential Risks faced by the Company*

The Company may be mainly exposed to the following risks: market risk, credit risk and liquidity risk. Specifically, the Company may be mainly exposed to market risk brought by fluctuations in stock and bond markets to investment portfolio of the Company; credit risk brought by insufficient repayment capability of financiers in financing business or abnormal price of shares secured (or pledged) to the Company, credit risk brought by bonds default and decreased credit qualification of the issuer to bond portfolio of the Company, and liquidity risk brought by reasonable neutral capital supply, rising financing costs or financing operation errors at a specific time point in the expected context of overall capital supply balance. In addition, the Company may be exposed to other risks including strategic risk, operational risk, compliance risk, legal risk, technical risk and reputational risk. Joint effect of above risks will pose certain challenge to the operation of the Company.

2. *Implementation of Comprehensive Risk Management of the Company*

The Company has attached great importance to risk management. Over more than a decade of exploration and practices, and pursuant to the requirements of regulatory regulations and self-regulatory rules, including the Measures for the Risk Control Indexes Management of Securities Companies (《證券公司風險控制指標管理辦法》), Regulations for Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) and Guidelines for the Liquidity Risk Management of Securities Companies (《證券公司流動性風險管理指引》) etc., the Company has established a relatively complete and comprehensive risk management system. Since March 2020, the Company has been officially included in the consolidated supervision pilot by China Securities Regulatory Commission (“CSRC”), and continued to strengthen the vertical control and group integrated management of domestic and overseas subsidiaries. In 2021, the Company realized the integrated management of risk control and compliance of all subsidiaries at home and abroad, and further optimized certain aspects such as counterparty management, risk control of new business and new products, risk data management and system construction. Please refer to “Risk Management” in this section for details of the Company’s comprehensive risk management.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

3. Establishment of Dynamic Control System for Risk Control Indicators

Pursuant to the Measures for the Risk Control Indexes Management of Securities Companies (《證券公司風險控制指標管理辦法》) issued by the CSRC, the Company has formulated and continued to revise relevant measures such as the Measures for the Control of Risk Control Indicators of the Company (《公司風險控制指標監控辦法》) in accordance with the implementation, established a dynamic monitoring mechanism for risk control indicators, and arranged special posts for daily monitoring, in order to make timely report of various anomalies. At the same time, the Company has established a dynamic monitoring and evaluation system for net capital, based on the regulatory standards and early warning standards of risk control indicators prescribed by the regulatory authorities. The Company has added more stringent corporate monitoring standards as the monitoring threshold, forming a three-level early warning (control) standard of risk control indicators based on the early warning line of the Company, the early warning line of the regulatory departments as well as supervision line of the regulatory departments. The Company has also established and improved the reporting and response plans to ensure that net capital and other risk control indicators meet the regulatory requirements.

The Company has established a net capital replenishment mechanism. Approaches to replenishing net capital include but are not limited to equity financing as authorized by the general meeting, increase of discretionary surplus reserve, reduction or suspension of profit distribution, and issuance of subordinated debt, etc. The Company has established a forward-looking adjustment mechanism for risk control indicators to ensure that the risk control indicators are maintained at a robust and compliant level by replenishing net capital, adjusting the structure of assets and liabilities, as well as reducing the scale of business, etc. when there are abnormal changes or early warning shown in the risk control indicators.

In 2021, the Company's net capital and other risk control indicators continued to meet the regulatory standards, and the main risk control indicators were at a healthy level and no warning standards were triggered.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4. Investments in Corporate Compliance Risk Control and Information Technology

The Company attaches great importance to compliance management and risk management, continuously optimizes the construction of compliance management and risk management systems, continuously expands the team of compliance risk control personnel and enhances its allocation; The Company also continuously promotes the construction of compliance risk control system through a combination of self-development and outsourced procurement. Investment is continuously increased to promote the timeliness and professionalism and intelligence of compliance risk control. The Company's investment in compliance risk control mainly includes: investment in compliance risk control personnel, investment in the construction of compliance related risk control system and operating expenses of the relevant compliance risk control departments. In 2021, in terms of the parent company, the Company's total investment in compliance control amounted to RMB611.681 million.

The Company continued to increase investment in information technology. The Company continued to invest in areas such as construction and transformation of the infrastructures, continuous improvement of system functions and innovation and development, etc., and in the meantime laid a solid data foundation for the construction of a digitalized enterprise. The Company continued to put efforts in the introduction of information technology talents, focusing on the cultivation of talents for both self-development and new technologies, and gradually formed the Company's core information technology competitiveness. The Company's investment in information technology mainly includes: information technology related capital expenditure, daily operation and maintenance expenses, leasing and depreciation expenses, and wages of information technology personnel. In 2021, in terms of the parent company, the Company's total investment in information technology amounted to RMB1,092.7524 million.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

IV. FINANCIAL STATEMENT ANALYSIS

Profitability Analysis

In 2021, domestic capital market maintained good development trend and the overall market activity was improved as compared with 2020. Under such market environment, the Company was well-positioned to seize opportunities, and maintained a sound development in respect of its various business operations. Operating results of the Company increased as compared with that in 2020.

In 2021, the Group recognized total operating revenue and other income of RMB39,033 million, representing a YoY increase of 27.06%. Net profit attributable to equity holders of the Company amounted to RMB10,239 million, representing a YoY increase of 7.67%. Basic earnings per Share amounted to RMB1.25, representing a YoY increase of 4.17%. Return on weighted average equity was 15.86%, decreasing YoY by 2.26 percentage points.

Asset Structure and Asset Quality

During the Reporting Period, the Company completed the issuance of one tranche of perpetual bonds, replenished working capital and maintained sound liquidity. The Company recorded growth in both total assets and total liabilities to different extents. The Company maintained more prudent operation, stable structure of assets and liabilities, and sound asset quality and financial position.

As of December 31, 2021, the Group's total assets amounted to RMB452,791 million, representing an increase of RMB81,563 million, or 21.97%, as compared with that as at the end of preceding year. After deducting accounts payable to brokerage clients, the Group's total assets amounted to RMB359,709 million, representing an increase of RMB63,191 million, or 21.31%, as compared with that as at the end of preceding year. Among which, investment assets mainly include investments in associates and investments in financial assets, accounted for 59.09% of the total assets; margin accounts and financial assets held under resale agreements accounted for 21.36% of the total assets; cash and bank balances accounted for 10.01% of the total assets; and other assets in aggregate accounted for 9.54% of the total assets.

Please refer to "Financial assets at fair value through profit or loss" in Note 22, "Financial assets at fair value through other comprehensive income" in Note 23 and "cash and bank balances" in Note 32 for the restriction of main assets as of the end of the Reporting Period in the Annual Report.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As of December 31, 2021, the Group's total liabilities amounted to RMB372,785 million, representing an increase of RMB69,628 million, or 22.97%, as compared with that as at the end of preceding year. After deducting accounts payable to brokerage clients, the Group's total liabilities amounted to RMB279,702 million, representing an increase of RMB51,256 million, or 22.44%, as compared with that as at the end of preceding year. Among which, the amount from financial assets sold under repurchase agreements was RMB99,596 million, accounting for 35.61% of the total liabilities; the amount from short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities due within one year was RMB72,100 million, accounting for 25.78% of the total liabilities; the amount from bonds in issue was RMB60,020 million, accounting for 21.46% of the total liabilities; the amount from financial liabilities at fair value through profit or loss and derivative financial liabilities was RMB12,095 million, accounting for 4.32% of the total liabilities; and the amount from other liabilities in aggregate was RMB35,891 million, accounting for 12.83% of the total liabilities.

As of December 31, 2021, the Group's equity attributable to equity holders of the Company amounted to RMB79,818 million, representing an increase of RMB12,083 million, or 17.84%, as compared with that as at the end of preceding year.

As of December 31, 2021, after deducting accounts payable to brokerage clients, the gearing ratio of the Group was 77.76%, representing an increase of 0.72 percentage point, as compared with that as at the end of preceding year.

Cash Flow Status

After deducting accounts payable to brokerage clients, the Group's net increase in cash and cash equivalents was RMB7,654 million in 2021, representing a YoY increase of RMB26,549 million, which was mainly due to the increase in net cash flow from operating activities.

Net cash flow from operating activities in 2021 was RMB-6,655 million, representing a YoY decrease of net cash outflow of RMB31,653 million as compared to a net cash flow of RMB-38,308 million for the corresponding period of 2020, which was mainly attributable to YoY decrease in net cash outflow from operating activities due to the decrease of the net increase in financial assets at fair value through profit or loss during the year.

Net cash flow from investing activities in 2021 was RMB1,797 million, representing a YoY increase of net cash inflow of RMB13,209 million as compared to a net cash flow of RMB-11,412 million in 2020, which was mainly attributable to the decrease in net cash outflow of paid for investments and the increase in net cash inflow received from investment recovery during the year.

Net cash flow from financing activities in 2021 was RMB12,512 million, representing a YoY decrease of net cash inflow of RMB18,313 million as compared to a net cash flow of RMB30,825 million for the corresponding period of 2020, which was mainly attributable to the decrease in cash received from bond issuance and the increase in cash paid for debt repayment during the year.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

V. ANALYSIS ON INCOME STATEMENT

Financial Highlights

In 2021, the Group accomplished a profit before income tax of RMB13,021 million, representing a YoY increase of 7.38%. Major financial highlights of the Group are as below:

Unit: RMB million

Items	2021	2020
Fee and commission income	15,358	13,624
Interest income	8,985	7,104
Investment gains	8,024	8,673
Other income	6,666	1,319
Total expenses	26,014	18,606
Share of profits and losses of associates	2	12
Profit before income tax	13,021	12,126
Income tax expense	2,786	2,589
Profit attributable to equity holders of the Company	10,239	9,509

Structure of Total Revenue and Other Income

In 2021, the total operating revenue and other income of the Group amounted to RMB39,033 million, representing a YoY increase of 27.06%. The structure of revenue remained relatively stable. The revenue structure of the Group in the past five years is as follows:

Items	2021	2020	2019	2018	2017
Fee and commission income	39.35%	44.35%	44.48%	43.85%	53.47%
Interest income	23.02%	23.12%	32.17%	41.02%	32.01%
Investment gains	20.56%	28.23%	22.71%	14.66%	14.70%
Other income	17.07%	4.30%	0.64%	0.47%	-0.18%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Fee and Commission Income

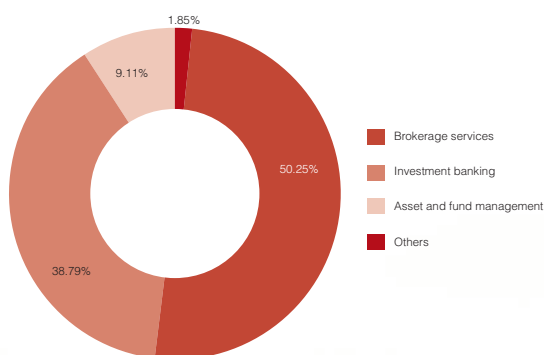
In 2021, the net fee and commission income of the Group amounted to RMB13,437 million, representing a YoY increase of 11.75%, which was mainly due to the increase in fee and commission income from brokerage business. The breakdown of fee and commission income of the Group during 2020 and 2021 is as follows:

Unit: RMB million

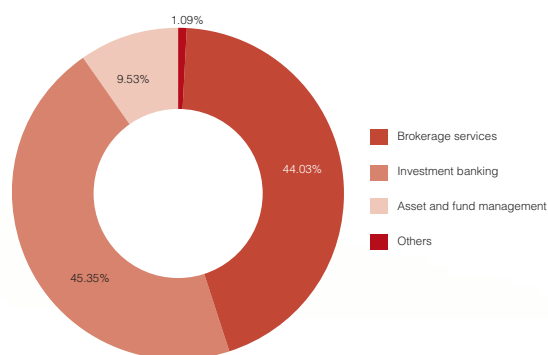
Items	2021	2020	Change	Change in percentage (%)
Fee and commission income				
– Brokerage services	7,718	5,999	1,719	28.65
– Investment banking	5,958	6,179	-221	-3.58
– Asset and fund management	1,399	1,299	100	7.70
– Others	283	147	136	92.52
Fee and commission expenses	1,921	1,600	321	20.06
Net fee and commission income	<u>13,437</u>	<u>12,024</u>	<u>1,413</u>	<u>11.75</u>

The Breakdown of Fee and Commission Income in 2020 and 2021

The Breakdown of Fee and Commission Income in 2021



The Breakdown of Fee and Commission Income in 2020



The fee and commission income from brokerage business increased by RMB1,719 million, or 28.65% YoY, which was mainly due to the YoY increase in the income of brokerage securities trading service business, the rental income of trading unit seats and the income from the business of agency sale of financial products of the Company.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The fee and commission income from investment banking business decreased by RMB221 million, or 3.58% YoY, which was mainly due to the YoY decreased in the fee income of securities underwriting business of the Company.

Interest Income

In 2021, the net interest income of the Group amounted to RMB1,750 million, representing a YoY increase of RMB419 million, or 31.54%. The table below sets out the major composition of the net interest income of the Group during the indicated periods:

Unit: RMB million

Items	2021	2020	Change	Change in percentage (%)
Interest Income				
– Margin financing and securities lending	4,113	2,869	1,244	43.36
– Financial assets held under resale agreements	573	809	-236	-29.17
– Bank deposits	2,607	2,116	491	23.20
– Financial assets measured at fair value through other comprehensive income (“FVOCI”)	1,594	1,310	284	21.68
– Others	98	–	98	N/A
Interest expenses				
– Accounts payable to brokerage clients	335	284	51	17.96
– Financial assets sold under repurchase agreements	2,037	1,511	526	34.81
– Placements from banks and other financial institutions	882	558	324	58.06
– Borrowings	9	12	-3	-25.00
– Bonds in issue and short-term financing instruments payable	3,805	3,293	512	15.55
– Others	167	115	52	45.22
Net interest income	1,750	1,331	419	31.54

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Interest income from margin financing and securities lending increased by RMB1,244 million, or 43.36% YoY, which was mainly due to the increase of average scale in margin financing and securities lending business in the year.

Interest income from financial assets held under resale agreements decreased by RMB236 million, or 29.17% YoY, which was mainly due to the decrease of average scale in stock-pledged repurchase business in this year.

Interest income from bank deposit increased by RMB491 million, or 23.20% YoY, which was mainly due to the increase of average scale in the cash held on behalf of clients.

Interest expenses increased by RMB1,462 million, or 25.32% YoY, which was mainly due to the increase in the interest expense of bonds in issue and short-term financing instruments payable and financial assets sold under repurchase agreements.

Net Investment Gains

In 2021, the net investment gains of the Group amounted to RMB8,024 million, representing a YoY decrease of RMB649 million, or 7.48%. The table below sets out the major composition of the net investment gains of the Group during the indicated periods:

Unit: RMB million

Items	2021	2020	Change	Change in percentage (%)
Financial instruments measured at fair value through other comprehensive income ("FVOCI")	309	409	-100	-24.45
Financial instruments at fair value through profit or loss("FVPL")	8,459	9,361	-902	-9.64
Derivative financial instruments	-831	-755	-76	N/A
Others	87	-342	429	N/A
Total	8,024	8,673	-649	-7.48

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Net investment income from financial instruments measured at fair value through other comprehensive income decreased by RMB100 million, or 24.45% YoY. In particular, gains from disposal of financial instruments measured at fair value through other comprehensive income decreased by RMB292 million, or 72.35% YoY; dividends from financial instruments measured at fair value through other comprehensive income increased by RMB192 million, or 3,602.98% YoY.

Net investment income from financial instruments at fair value through profit or loss decreased by RMB902 million, or 9.64% YoY. In particular, gains from disposal of financial instruments at fair value through profit or loss decreased by RMB784 million, or 18.22% YoY; gains from holding financial assets at fair value through profit or loss decreased by RMB118 million, or 2.33% YoY.

Gains from other investment increased by RMB429 million YoY, which was mainly due to the increase in net income from disposal of associates.

Total Expenses

In 2021, the total expenses of the Group (excluding fee and commission expenses and interest expenses) amounted to RMB16,858 million, representing a YoY increase of RMB5,625 million, or 50.08%.

The table below sets out the major composition of the expenses of the Group during the indicated periods:

Unit: RMB million

Items	2021	2020	Change	Change in percentage (%)
Staff costs	7,852	6,436	1,416	22.00
Tax and surcharges	168	156	12	7.69
Other operating expenses and costs	9,105	3,245	5,860	180.59
Credit impairment losses	-298	1,319	-1,617	-122.59
Impairment losses on other assets	31	77	-46	-59.53
Total	16,858	11,233	5,625	50.08

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Staff costs for the year increased by RMB1,416 million, or 22.00% YoY, which was mainly due to the YoY increase in accrued salary and social insurance payments.

The reversal of credit impairment losses in this year amounted to RMB298 million, which was mainly due to the reversal of impairment provision for financial assets held under resale agreements.

The table below sets out the composition of the credit impairment losses of the Group during the indicated periods:

Unit: RMB million

Items	2021	2020	Change	Change in percentage (%)
Financial assets measured at fair value through other comprehensive income ("FVOCI")	121	290	-169	-58.28
Margin financing and securities lending	15	28	-13	-46.43
Financial assets held under resale agreements	-444	989	-1,433	-144.89
Others	10	12	-2	-16.67
Total	-298	1,319	-1,617	-122.59

The impairment loss on other assets in this year decreased by RMB46 million, or 59.53% YoY, which was mainly due to the provision for impairment of investments in associates in the preceding year.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

VI. ANALYSIS ON FINANCIAL POSITION

Assets

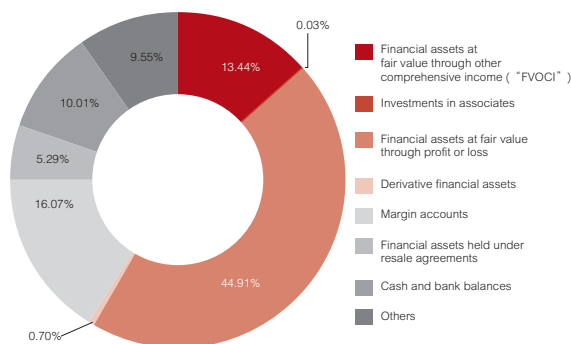
As of December 31, 2021, the total assets of the Group amounted to RMB452,791 million, representing an increase of RMB81,563 million, or 21.97%, as compared with that as at the end of preceding year. Excluding the effect of accounts payable to brokerage clients, the total assets of the Group amounted to RMB359,709 million as at December 31, 2021, representing an increase of RMB63,191 million, or 21.31%, as compared with that as at the end of preceding year, and changes in major assets of the Group were as follows:

Unit: RMB million

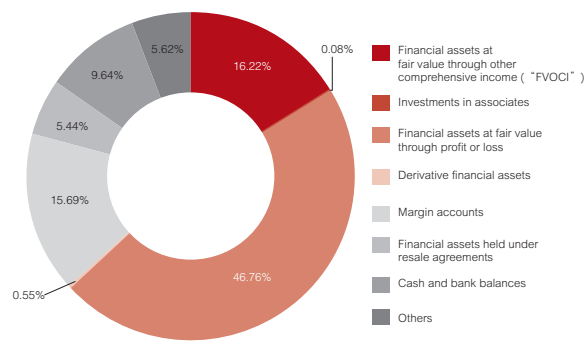
Items	December 31, 2021	December 31, 2020	Change	Change in percentage (%)
Financial assets measured at fair value through other comprehensive income ("FVOCI")	48,358	48,097	261	0.54
Investments in associates	111	229	-118	-51.59
Financial assets at fair value through profit or loss	161,548	138,656	22,892	16.51
Derivative financial assets	2,518	1,632	886	54.27
Margin accounts	57,808	46,515	11,293	24.28
Financial assets held under resale agreements	19,022	16,117	2,905	18.02
Cash and bank balances	36,003	28,580	7,423	25.97
Others	34,341	16,692	17,649	105.73
Total	359,709	296,518	63,191	21.31

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

**Analysis of the Components
of Assets in 2021**



**Analysis of the Components of
Assets in 2020**



Investments

The investment of the Group primarily comprises financial assets measured at fair value through other comprehensive income ("FVOCI"), investments in associates, financial assets at fair value through profit or loss ("FVPL"), derivative financial assets, etc.

As of December 31, 2021, the total external investments of the Group amounted to RMB212,535 million, representing an increase of RMB23,921 million, or 12.68%, as compared with that as at the end of preceding year.

The following table sets out, as of the dates indicated, the investments of the Group and its percentage to the total assets by category:

Unit: RMB million

Items	December 31, 2021		December 31, 2020	
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)
Financial assets at fair value through other comprehensive income ("FVOCI")	48,358	13.44	48,097	16.22
Investments in associates	111	0.03	229	0.08
Financial assets at fair value through profit or loss ("FVPL")	161,548	44.91	138,656	46.76
Derivative financial assets	2,518	0.70	1,632	0.55
Total	212,535	59.09	188,614	63.61

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Asset Investments

As of December 31, 2021, total financial asset investments of the Group amounted to RMB212,424 million, accounting for 59.05% of total assets, representing an increase of RMB24,039 million, or 12.76%, as compared with that as at the end of preceding year, which was mainly due to the increase in equity investment and debt instruments. The table below sets out the composition of the financial asset investment portfolio of the Group:

Unit: RMB million

Items	December 31, 2021		December 31, 2020	
	Amount	Percentage to total financial asset investments (%)	Amount	Percentage to total financial asset investments (%)
Debt instruments	135,478	63.78	127,132	67.49
Equity investments	27,891	13.13	18,134	9.63
Fund investments	16,606	7.82	10,461	5.55
Derivative financial assets	2,518	1.19	1,632	0.87
Others	29,931	14.08	31,026	16.46
Total	<u>212,424</u>	<u>100.00</u>	<u>188,385</u>	<u>100.00</u>

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Investments in Associates

Unit: RMB million

Items	December 31, 2021	December 31, 2020	Change	Change in percentage (%)
Investments in associates	111	229	-118	-51.53

As of December 31, 2021, the Group's investments in associates amounted to RMB111 million, representing a decrease of RMB118 million, or 51.53%, as compared with that as at the end of preceding year, which was mainly due to the disposal of investments in associates during the Reporting Period.

Cash and Bank Balances

As of December 31, 2021, cash and cash balances amounted to RMB36,003 million, representing an increase of RMB7,423 million or 25.97%, as compared with that as at the end of preceding year, which was mainly due to the positive net cash flow from financing and investment activities.

Unit: RMB million

Items	December 31, 2021	December 31, 2020	Change	Change in percentage (%)
Cash and bank balances	36,003	28,580	7,423	25.97%

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liabilities

As of December 31, 2021, total liabilities of the Group amounted to RMB372,785 million, representing an increase of RMB69,628 million, or 22.97%, as compared with that as at the end of preceding year. Excluding the effect of accounts payable to brokerage clients, total liabilities of the Group amounted to RMB279,702 million as at December 31, 2021, representing an increase of RMB51,256 million, or 22.44%, as compared with that as at the end of preceding year. The following table sets out the breakdown of the total liabilities of the Group as of the dates indicated:

Unit: RMB million

Items	December 31, 2021	December 31, 2020	Change	Change in percentage (%)
Accounts payable to brokerage clients	93,083	74,710	18,373	24.59
Short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities falling due within one year	72,100	67,261	4,839	7.19
Financial assets sold under repurchase agreements	99,596	84,512	15,084	17.85
Bonds in issue	60,020	50,016	10,004	20.00
Financial liabilities at fair value through profit or loss	7,800	1,596	6,204	388.80
Derivative financial liabilities	4,295	2,425	1,870	77.15
Others	35,891	22,637	13,254	58.55
Total	372,785	303,157	69,628	22.97

As of December 31, 2021, total accounts payable to brokerage clients of the Group amounted to RMB93,083 million and accounted for 24.97% of the total liabilities of the Group, representing an increase of RMB18,373 million, or 24.59%, as compared with that as at the end of preceding year.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The following table sets out the Group's accounts payable to brokerage clients by geographical locations and types of customers as of the dates indicated:

Unit: RMB million

Items	December 31, 2021	December 31, 2020	Change	Change in percentage (%)
Mainland China	91,470	73,463	18,007	24.51
– Individual	51,469	45,173	6,296	13.94
– Corporate	40,001	28,290	11,711	41.40
Outside Mainland China	1,613	1,247	366	29.35
Total	<u>93,083</u>	<u>74,710</u>	<u>18,373</u>	<u>24.59</u>

As of December 31, 2021, short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities falling due within one year amounted to RMB72,100 million in aggregate, representing an increase of RMB4,839 million, or 7.19%, as compared with that as at the end of preceding year, mainly attributable to the YoY increase in the balance of bonds payables due within one year.

As of December 31, 2021, financial assets sold under repurchase agreements amounted to RMB99,596 million, representing an increase of RMB15,084 million, or 17.85%, as compared with that as at the end of preceding year, which was mainly due to the YoY increase in the ending balance of financial assets sold under repurchase agreements through collateralized repurchase.

As of December 31, 2021, the Group's total outstanding amount of bonds payable due beyond one year amounted to RMB60,020 million, representing an increase of RMB10,004 million, or 20.00%, as compared with that as at the end of preceding year, which was mainly due to the YoY increase in the ending balance of issued structured notes.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Equity

As of December 31, 2021, the total equity of the Group amounted to RMB80,006 million, representing an increase of RMB11,935 million, or 17.53%, as compared with that as at the end of preceding year, mainly attributable to the profits and issuance of perpetual bonds of this year. The following table sets out the components of the Group's total equity as at the dates indicated:

Unit: RMB million

Items	December 31, 2021	December 31, 2020
Share capital	7,757	7,757
Other equity instruments	14,938	9,962
Capital reserve	12,446	12,491
Surplus reserves	5,617	4,525
General reserve	12,514	10,549
Investment revaluation reserve	713	286
Foreign currency translation reserve	32	89
Retained earnings	25,801	22,076
Non-controlling interests	188	336
Total	80,006	68,071

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

VII. ANALYSIS OF PRINCIPAL SUBSIDIARIES

Name	Shareholding of the Company	Date of Establishment	Registered Capital	Place of Business	Registered Address	Contact Number
China Securities Futures	100%	March 16, 1993	RMB1,000 million	27/F, 30/F, Hilton Business Center, 131 Zhongshan Third Road, Yuzhong District, Chongqing (重慶市渝中區中山三路131號希爾頓商務中心27樓、30樓)	27/F, 30/F, Hilton Business Center, 131 Zhongshan Third Road, Yuzhong District, Chongqing (重慶市渝中區中山三路131號希爾頓商務中心27樓、30樓)	023-86769605
China Securities Capital	100%	July 31, 2009	RMB1,650 million	12/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座12層)	Room 2, East Side, 6/F, 188 Chaoyangmen Inner St, Dongcheng District, Beijing (北京市東城區朝陽門內大街188號6層東側2間)	010-85130648
China Securities International	100%	July 12, 2012	Share capital of HK\$4,000 million	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	+852-34655600
China Securities Funds	75%	September 9, 2013	RMB300 million	17&19/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座17、19層)	Unit 1, Building No. 3, Balongqiao Yayuan, Qiaozhi Town, Huairou District, Beijing (北京市懷柔區橋梓鎮八龍橋雅苑3號樓1室)	010-59100288
China Securities Investment	100%	November 27, 2017	RMB6,100 million	11/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座11層)	Unit 109, Block C, Beijing Fund Town Center, No. 1 Jinyuan Avenue, Changgou Town, Fangshan District, Beijing (北京市房山區長溝鎮金元大街1號北京基金小鎮大廈C座109)	010-85130622

- China Securities Futures: As of the end of the Reporting Period, total assets and net assets of China Securities Futures amounted to RMB24,754.56 million and RMB2,201.42 million, respectively. In 2021, China Securities Futures recognized a total revenue and other income of RMB7,769.07 million and net profit amounting to RMB559.15 million.

Principal businesses of China Securities Futures: commodities futures brokerage, financial futures brokerage, futures investment consultancy, assets management, funds sale.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

2. China Securities Capital: As of the end of the Reporting Period, total assets and net assets of China Securities Capital amounted to RMB3,892.39 million and RMB2,087.44 million, respectively. In 2021, China Securities Capital realized a total revenue and other income of RMB534.03 million and net profit amounting to RMB275.68 million.

Principal businesses of China Securities Capital: project investment, investment management, asset management and financial advisory (excluding intermediary services).

3. China Securities International: As of the end of the Reporting Period, total assets and net assets of China Securities International amounted to RMB12,672.92 million and RMB3,365.48 million, respectively. In 2021, China Securities International recognized a total revenue and other income of RMB509.62 million and net profit amounting to RMB93.00 million.

Principal businesses of China Securities International: holdings, investments and its subsidiaries engage in the business of securities brokerage, asset management, corporate finance, investment consulting, dealing in futures, proprietary investment and insurance brokerage.

4. China Securities Funds: As of the end of the Reporting Period, total assets and net assets of China Securities Funds amounted to RMB727.38 million and RMB608.91 million, respectively. In 2021, China Securities Funds recognized a total revenue and other income of RMB235.67 million and net profit amounting to RMB15.98 million.

Principal businesses of China Securities Funds: fund raising, fund sale, asset management for specific clients, asset management and other business as approved by the CSRC.

Subsequent events:

In 2022, there was a change of shareholding in China Securities Funds that the shareholding percentage held by the Company changing from 75% to 100%, and China Securities Funds became a wholly-owned subsidiary of the Company. Please refer to “Section 2 – Company Information – VI. Other Information of the Company – (III) Organizational Structure of the Company” of this report.

5. China Securities Investment: As of the end of the Reporting Period, total assets and net assets of China Securities Investment amounted to RMB5,153.30 million and RMB4,599.93 million, respectively. In 2021, China Securities Investment recognized a total revenue and other income of RMB1,121.31 million and net profit amounting to RMB790.85 million.

Principal businesses of China Securities Investment: equity investment and management, investment consulting (except for intermediary services) and project investment.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

VIII. INTRODUCTION OF SECURITIES BRANCHES

(I) INFORMATION OF SECURITIES BRANCHES

No.	Branch	Date of establishment	Registered address	Contact number
1	Hubei Branch	February 6, 2012	3/F, Block A, Longyuan Building, 24 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province	027-87890128
2	Shanghai Branch	February 6, 2012	No. 06, 07, 18/F, Block T2, No. 398 Huoshan Road, Yangpu District, Shanghai	021-55138037
3	Shenyang Branch	February 7, 2012	No. 1, 12/F, 61 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	024-22556761
4	Jiangsu Branch	February 13, 2012	2/F, Huanghe Building, 58 West Road, Gulou District, Nanjing City, Jiangsu Province	025-83156571
5	Hunan Branch	March 1, 2013	No. 9, Section 2, Furong Middle Road, Furong District, Changsha City, Hunan Province	0731-82229568
6	Fujian Branch	April 16, 2013	3/F, Wuyi Center, 33 East Street, Gulou District, Fuzhou City, Fujian Province	0591-87612358
7	Zhejiang Branch	April 18, 2013	Room 604, 6/F, 225 Qing Chun Road, Shangcheng District, Hangzhou City, Zhejiang Province	0571-87067252
8	Northwest Branch	April 19, 2013	56 Nanda Street, Beilin District, Xi'an City Shaanxi Province	029-87265999-202
9	Guangdong Branch	April 24, 2013	Room 6804 and 6805, No. 233 Tianhe North Road, Tianhe District, Guangzhou City, Guangdong Province (Office only)	020-38381917
10	Chongqing Branch	April 14, 2014	2-2, Block 2, Yijing Fenghao, 195 Longshan Road, Longshan Avenue, Yubei District, Chongqing City	023-63624398

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

No.	Branch	Date of establishment	Registered address	Contact number
11	Shenzhen Branch	April 21, 2014	22/F, Block B, Rongchao Business Center, 6003 Yitian Road, Futian District, Shenzhen City, Guangdong Province	0755-23953860
12	Sichuan Branch	April 25, 2014	25, South Third Section, First Ring Road, Wuhou District, Chengdu City, Sichuan Province	028-85576963
13	Shandong Branch	May 23, 2014	11/F, Block 4, 8 Long'ao North Road, Lixia District, Jinan City, Shandong Province	0531- 68655601
14	Jiangxi Branch	May 28, 2014	Unit 5, 30/F, Block 2#, Heping International Hotel, 69 Yanjiang North Avenue, Donghu District, Nanchang City, Jiangxi Province	0791-86700335
15	Henan Branch	June 3, 2014	2/F, Zhonghua Building, 3 Shangwu Outer Ring Road, Zhengzhou Area (Zhengdong), Henan Pilot Free Trade Zone	0371-69092409
16	Shanghai Free Trade Zone Branch	26 September 2014	Room 2206, North Building, 528 South Pudong Road, China (Shanghai) Free Trade Zone	021-68801573
17	Tianjin Branch	November 10, 2014	No.389, Jiefang South Road, Hexi District, Tianjin City	022-23660571
18	Beijing Hongyi Branch	March 19, 2019	4-4, Third Section, 6/F, Building No. 4, 66 Anli Road, Chaoyang District, Beijing City	010-65726085
19	Hainan Branch	December 29, 2020	1 and 2/F, Yindu Building, No.38 Haifu Avenue, Haikou City	0898-65357208
20	Ningxia Branch	December 30, 2020	No. 65, Hubin West Street, Xingqing District, Yinchuan City	0951-6737057
21	Guizhou Branch	December 31, 2020	No. 2, 1-8/F, No. 13, Yan'an Middle Road, Yunyan District, Guiyang City, Guizhou Province	0851-83879300

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

No.	Branch	Date of establishment	Registered address	Contact number
22	Jilin Branch	January 5, 2021	19/F, Zhengrong Building, No. 621 Changchun Street, Nanguan District, Changchun City, Jilin Province	0431-81939356
23	Shanxi Branch	January 7, 2021	7/F, Crown Tower, 252 Xinjian Road, Xing Hua Ling District, Taiyuan City	0351-4073321
24	Heilongjiang Branch	January 8, 2021	No. 99, Zhongyi Street, Daoli District, Harbin City, Heilongjiang Province (Baishun Fenghua Apartment)	0451-87536666
25	Xinjiang Branch	January 12, 2021	No. 446, Nanhu North Road, Shuimogou District, Urumqi City, Xinjiang	0991-4165678
26	Gansu Branch	January 12, 2021	Room 001, 2/F, Block B, Yongli Building, No. 58 Gaolan Road, Chengguan District, Lanzhou City, Gansu Province	0931-8881007
27	Inner Mongolia Branch	January 12, 2021	Room 101, Building 105, Yuan Yi Xin Jia Yuan, Wulanchabu East Road, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	0471-6248166
28	Guangxi Branch	January 14, 2021	No.07, Building 1, No.1 Lingshijun, No.10 Zhongwen Road, Qingxiu District, Nanning City, Guangxi	0771-5772676
29	Beijing Dongcheng Branch	January 15, 2021	No. 6 Dongzhimen South Street, Dongcheng District, Beijing	010-64156666
30	Anhui Branch	January 15, 2021	113, 114, Building 1 and 2, Fengle Century Apartment, No. 499, Chang Jiangxi Road, Shushan District, Hefei City, Anhui Province	0551-5501717

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

No.	Branch	Date of establishment	Registered address	Contact number
31	Qinghai Branch	January 18, 2021	Room 27-53, Building 1, 2, 4, Hezhengjiayuan, No. 27, North Street, Chengzhong District, Xining City	0971-8276233
32	Beijing Chaoyang Branch	January 20, 2021	4/F, No. 66, Anli Road, Chaoyang District, Beijing	010-56326080
33	Beijing Haidian Branch	January 20, 2021	1/F, No. 108, and the entire second floor of No. 18 Danling Street, Haidian District, Beijing	010-82666923
34	Beijing Jingnan Branch	January 26, 2021	Meiyuan Market South Section, No. 15, Nanda Hongmen Road, Fengtai District, Beijing	010-68759957
35	Beijing Jingxi Branch	January 29, 2021	No. 39, Sanlihe Road, Haidian District, Beijing	010-58739666
36	Yunnan Branch	February 2, 2021	2F, Hydropower Technology Building, No. 115, Renmin East Road, Panlong District, Kunming City, Yunnan Province	0871-63117584
37	Hebei Branch	February 9, 2021	Room 601 and Shop 101 and 102, Office Building 1, Wufang Building, 88 West Street, Chang'an District, Shijiazhuang City	0311-86682430
38	Ningbo Branch	October 9, 2021	Room (3-1), No. 562, Zhenming Road, Haishu District, Ningbo City, Zhejiang Province	0574-87705128

Note: For the establishment of the above branches, the date of obtaining the "License to Operate Securities and Futures Business" shall prevail for any occurrence after January 1, 2020.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

IX. EXPLANATION IN SCOPE OF STATEMENT CONSOLIDATION

As of December 31, 2021, the number of structural entities included in the consolidated financial statements of the Company was six. The number of primary entities included in the consolidated financial statement of the Company was eleven.

X. NO CHANGE IN THE INCOME TAX POLICY OF THE COMPANY DURING THE REPORTING PERIOD

From January 1, 2008, the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) became effective for the Company and other subsidiaries (except China Securities Futures and China Securities International. Income tax computation and payment are governed by the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Trans-regional Operations ([2012] No. 57) (《國家稅務總局關於印發〈跨地區經營匯總納稅企業所得稅徵收管理辦法〉的公告》([2012]57號)). The income tax rate applicable to the Company is 25%.

In accordance with Explanation on Implementation of Tax Preferential Treatments concerning Western China Development Strategy (《關於執行國家西部大開發所得稅優惠政策的說明》) issued by the local taxation bureau in Yuzhong District, Chongqing City and the Notice on Continuation of the Corporate Income Tax Policy for Enterprises in Western China (《關於延續西部大開發企業所得稅政策的公告》) ([2020] No. 23) issued by Ministry of Finance, SAT and National Development and Reform Commission, the applicable income tax rate for China Securities Futures was 15%.

The applicable income tax rate for China Securities International was 16.5%.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

XI. PROFIT DISTRIBUTION POLICY OF THE COMPANY

(I) Formulation, implementation or adjustment of cash dividend policy

The Articles of Association of the Company set out the basic principles of the profit distribution policy and specific policy and provided that “the Company shall give priority to the distribution of dividends in cash”, and “provided that the Company does not have material investment plans, major cash expenses, etc. and that the capital needs for normal operation of the Company are met, the profits distributed by the Company in cash shall not be less than 10% of the distributable profits of the same year, and within any three consecutive years, the accumulated profit distribution in cash shall not be less than 30% of the average annual distributable profit for those three years”.

The Company attaches much importance to providing reasonable returns to investors and maintaining the continuity and stability of the Company’s profit distribution policy, while taking into account the company’s long-term interests, the overall interests of all shareholders and the company’s sustainable development. Development and execution of profit distribution of the Company, in particular cash dividend policy, are in strict accordance with relevant provisions of the Articles of Association and procedures of consideration, with clear standards and proportion of dividends and well-established decision-making procedures and mechanism. In considerations at Board meeting, independent non-executive directors of the Company, from the perspective of safeguarding the interests of investors, expressed their objective and independent opinions; in considerations at general meeting, all minority shareholders of the Company were entitled to express their opinions and appeals and their legitimate interests were safeguarded.

On June 29, 2021, 2020 profit distribution plan of the Company was considered and approved at the 2020 annual general meeting, i.e., RMB3.75 (tax inclusive) distributed for every 10 Shares. This plan has been fully implemented by August 19, 2021. This profit distribution involved cash dividends representing 31.83% of net profit attributable to ordinary equity holders of the Company for 2020. This profit distribution has complied with the provisions of the Guidelines for Cash Dividends of Listed Companies of the SSE (《上海證券交易所上市公司分紅指引》) and the Articles of Association. Independent non-executive directors of the Company have expressed independent opinions on 2020 profit distribution and were of the view that this profit distribution has complied with the relevant provisions of laws and regulations, regulatory documents and the Articles of Association, and was in line with the actual conditions of the Company and the long-term interests of shareholders as a whole, and was favorable for the long-term development of the Company, therefore they have agreed to this profit distribution plan.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(II) Ordinary share dividend distribution plans or budgets over the past three years (including the Reporting Period)

Profit distribution plans of the Company were considered and decided at the general meeting after being considered and approved by the Board of Directors and the Board of Supervisors.

From 2019 to 2021, the Company's dividend was as follows:

Unit: RMB

Year of dividend	Amount of dividends per ten shares (tax inclusive)	Amount of cash dividends (tax inclusive)	Net profit attributable to ordinary equity holders of the listed company in the consolidated financial statements of the dividend year	Proportion of net profit attributable to ordinary equity holders of the parent company in the consolidated financial statements
2021 (budget)	3.95	3,063,894,444.82	9,691,018,415.34	32%
2020	3.75	2,908,760,548.88	9,138,942,498.88	32%
2019	2.35	1,796,900,530.93	5,130,270,443.24	35%

2021 Profit distribution budget:

Confirmed by the external of auditors, the Company (refers to the "Parent Company", the same thereafter) achieved a net profit of RMB9,237,153,640.40 in 2021.

According to relevant provisions of the Company Law, the Securities Law, the Financial Regulations of Financial Enterprises (《金融企業財務規則》), the Interim Measures for the Supervision and Administration of the Risk Reserves of Public Securities Investment Funds (《公開募集證券投資基金風險準備金監督管理暫行辦法》) and the Articles of Association, the Company intended to distribute its net profit for 2021 according to the following orders:

According to 10% of net profit, a statutory reserve of RMB923,715,364.04 was drawn;

According to 10% of net profit, a general risk reserve of RMB923,715,364.04 was drawn;

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

According to 10% of net profit, a trading risk reserve of RMB923,715,364.04 was drawn;

RMB950,206.92 of risk reserve for mutual funds custodian business was drawn;

RMB18,407,253.91 of risk reserve for large-scale collective product asset management business was drawn.

The above items totaled RMB2,790,503,552.95, subtracting the Company's interest on perpetual bonds of RMB547,684,931.50 and subtracting the dividends for 2020 distributed in the year 2021 of RMB2,908,760,548.88 and adding undistributed profit at the beginning of the year of RMB20,261,917,310.24, and the Company's undistributed profit at the end of 2021 was RMB23,252,121,917.31.

Based on an overall consideration of the long-term development of the Company and the interests of shareholders, 2021 profit distribution budget is as follows:

The Company proposes to distribute in the form of cash dividends, on the basis of 7,756,694,797 Shares in the total issued share capital as of December 31, 2021, RMB3.95 (tax inclusive) for every 10 Shares to all shareholders, amounting to RMB3,063,894,444.82 (tax inclusive) in aggregate, representing 32% of net profit attributable to ordinary equity holders of the Company in the consolidated financial statements for 2021. The remaining undistributed profit will be carried forward to the subsequent year.

Cash dividend is denominated and declared in RMB and payable in RMB to the A Shareholders and in Hong Kong dollars to the H Shareholders. The actual amount declared in Hong Kong dollars will be calculated based on the average of the intermediate exchange rate for conversion of Hong Kong dollars to RMB as announced by the People's Bank of China one calendar week prior to the date of convening the 2021 annual general meeting of the Company.

After the budget is considered and approved at the general meeting, the Company will distribute cash dividends within two months after the date of convening the general meeting. The dividend is expected to be paid by the Company around Thursday, August 18, 2022. The Company will make further announcement on, among others, equity registration date and date of distribution in relation to this dividend distribution.

XII. RISK MANAGEMENT

(I) Overview

The Company attaches great importance to the formation of a risk management system all the time. The Company adheres to the strategic policy of healthy development and establishes the business philosophy of putting risk management in an important position and “risk management as priority, risk management by all”. The Company’s risk management is in line with the Company’s general operating strategic goal, ensures that the risks are measurable, controllable and bearable, and obtains reasonable risk returns. The Company continues to enhance its risk management system in accordance with the needs arising from its business development, market condition changes and the regulatory requirements, so the Company can ensure the enhancement and effective operation of a comprehensive risk management mechanism during the Reporting period.

(II) Structure of Risk Management

The Board of Directors is the Company’s ultimate decision-making body for risk management. The executive management is the executive body, while different units are responsible for directly managing the risks in their business or operational activities. The Company has three dedicated risk control departments, namely the Risk Management Department, the Legal and Compliance Department and the Internal Audit Department, which independently monitor and manage risks before, during and after the event, according to their respective roles and responsibilities.

The Board of Directors makes decisions with respect to the Company’s risk management strategies and policies, risk management system, internal control arrangements, as well as the resolution of significant risk events. The Supervisory Committee carries out supervision on the performance of risk management duties of the Board of Directors, Executive Committee and senior management in accordance with laws and regulations and the Articles of Association.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Risk Management Committee under the Board of Directors is responsible for supervising the overall risk management of the Company in general and ensuring the risks are adequately managed so that management activities may be effectively carried out on risks associated with the Company's business and operating activities. The Risk Management Committee under the Board of Directors considers and advises the overall objectives and basic policies of compliance management and risk management, confirms the specific constitution of risk management strategies and risk management resources so that they are aligned with the internal risk management policies; formulates tolerance level for major risks; and supervises and reviews the risk management policies and makes recommendations to the Board.

The Board of Supervisors is responsible for the supervision responsibility of overall risk management, supervises and inspects the due diligence of the Board of Directors and the Company's Executive Committee in risk management, and urge rectification.

Executive Committee makes overall decisions with respect to the prevention, control, mitigation, or acceptance of risks in the Company's business and operating activities and makes decisions on efforts to improve the internal control rules and procedures and control measures in accordance with the risk management policies adopted by the Board.

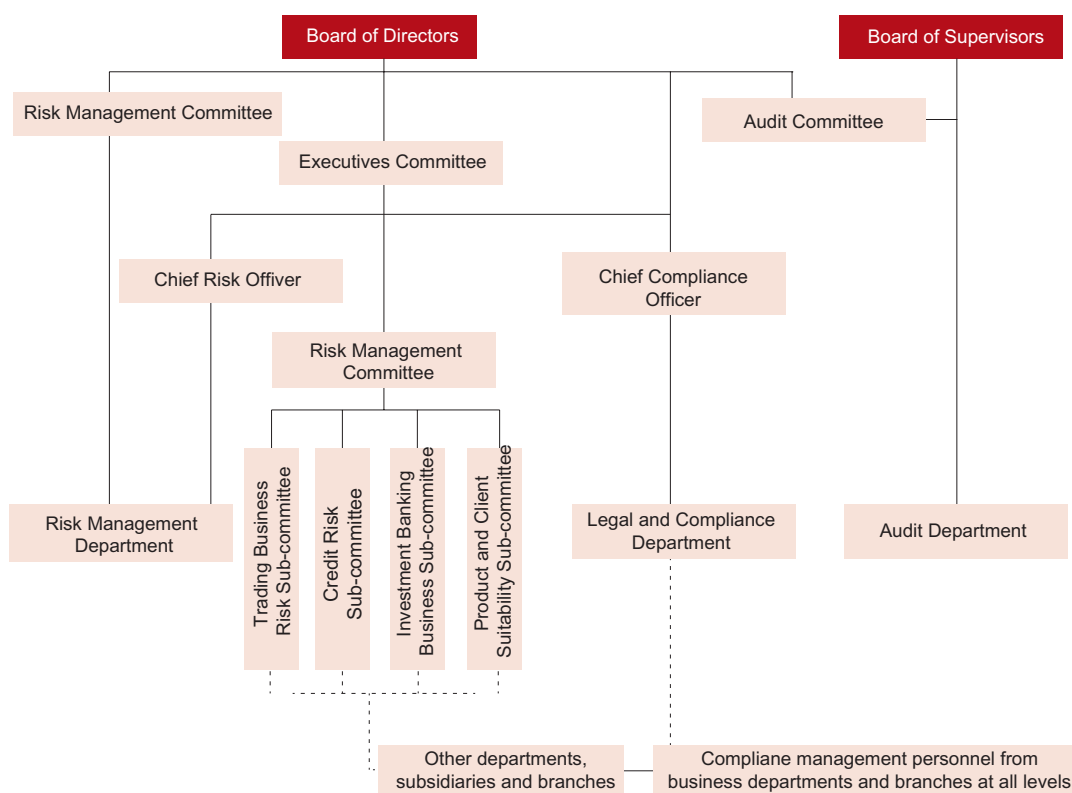
The Risk Management Committee under the Executive Committee is responsible for determining the Company's risk appetite, risk tolerance level, overall risk limits, important specific risk limits and risk control standards; formulating and promoting the implementation of the Company's risk management rules and procedures; approving risk limits and risk control standards specific to each business line; reviewing and approving new businesses and products; reviewing and approving the Company's risk reports; conducting research on risk control strategies and action plans for major business matters.

The Chief Risk Officer of the Company is responsible for leading professional risk management activities across the Company, including organizing the formulation of relevant risk management rules and procedures, improving the Company's risk management practices, and guiding the Risk Management Department in the identification, evaluation, monitoring and reporting of various risks.

Each and every department, branch and subsidiary of the Company, within their respective roles and responsibilities, is responsible for following the rules and procedures, and risk control polices, and implementing risk-control measures and engaging in direct risk control efforts in their business activities, and the person in charge is the first person responsible for risk management of the unit; each employee of the Company is responsible for the effectiveness of risk management through diligence, prudence and timely reporting.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Risk Management Department is responsible for risk management; the Legal and Compliance Department is responsible for legal affairs and compliance management, and the Internal Audit Department is responsible for the internal audit activities. The aforementioned three independent risk management departments establish their own rules and procedures and operate independently to promote risk management of the Company. Specifically, the Risk Management Department is responsible for risk management before and during the event through risk monitoring and assessment, the Legal and Compliance Department is responsible for managing the overall legal and compliance risks, and the Internal Audit Department is responsible for conducting audits to identify material defects in key rules and procedures and processes, as well as internal control weakness, and supervising corrections and rectifications.



In addition, the Company has established the internal audit department. Through company-level review, the Company conducted expert management and terminal risk control of investment banking projects, and performed ultimate approval of decision-making functions for the materials and documents submitted, reported, issued or disclosed in the name of the Company, strengthening Risk Management for Investment Banking.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(III) Risk Management Mechanism

The Risk Management Department works with business and management departments to identify major risks during the course of different business and management activities, explicit key control measures, issue the Risk Catalogue and Key Control List, and continue to update the same in light of business changes and monitoring findings.

The Company establishes a before-the-event risk control mechanism. It focuses on each of the main business lines to formulate specific risk limits and risk control standards, and has explicit procedures of risk control; the Risk Management Department and the Legal and Compliance Department have participated in the review of new business and new products, have participated in the before-the-event evaluation for important projects and the operation system, and have expressed their opinions independently; important risk control parameters are directly under the management and control of the Risk Management Department, which also conducts independent verification for valuation model of financial instruments before going online.

The Risk Management Department formulates the risk monitoring processes and indicators for key business and management lines. In particular, risk monitoring indicators for brokerage business, proprietary business, securities financing business, and asset management business as well as risk control indicators including net capital are monitored through the monitoring system, while the risk monitoring for other business or management lines primarily relies on regular and ad hoc monitoring by means of on-site monitoring, risk information reporting, data access and regular meetings. Main businesses of subsidiaries fall within the scope of monitoring.

The Company also formulates operational process for risk assessment, and determines main assessment methods and qualitative and quantitative risk rating criteria for various types of risks. The Risk Management Department assesses and rates the risk matters on an ongoing basis, evaluates the control of major business risks on a regular basis, and conducts comprehensive year-end assessments of the risk control process, risk events and positions, risk incidents and the risk-adjusted income level of the departments, branches and subsidiaries as a key component of their performance assessment.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Company has formulated guidelines for various types of risk management and control, including market risk, credit risk, operational risk, liquidity risk, reputation risk and information technology risk, in order to guide and regulate the response to risks in various business lines. The Company has established crisis management mechanism and programs, and has formulated effective contingency measures and plans for various businesses, especially for key risks and emergencies such as liquidity crisis and accidents on transaction system, while emergency response mechanism has been established and is drilled sporadically on a regular basis.

The Company is responsible for building mechanisms for communicating and reporting risk information and significant risk warnings, communicating and managing risk information and providing significant risk warnings. The Risk Management Department is responsible for formulating operational procedures for communicating and reporting risk information and issuing risk warnings, and the departments and branches and subsidiaries report risk information or issue warnings on potential risks identified by themselves to the Risk Management Department. The Risk Management Department then manages the risk information, performs comprehensive analyses on various risk information to identify risk control weaknesses and loopholes and propose recommendations on improving risk control, reports significant risks to the Chief Risk Officer and Risk Management Committee or executive management, and at the same time, communicates risk information to relevant departments, while tracking any follow-up activities. The Risk Management Department prepares risk reports and risk control recommendation reports according to the results on risk identification, monitoring and assessment, and reports the findings to involved parties and the executive management of the Company. The Risk Management Department continuously monitors risks and the risk control status by following up on the implementation of risk control recommendations by relevant parties in managing risks identified in the risk reports.

The Legal and Compliance Department manages legal and compliance risks through compliance consultation, compliance review, compliance inspection, compliance supervision, compliance reporting, complaints reporting and handling, compliance accountability, information segregation wall, anti-money laundering and a series of compliance management methods as well as contracts, litigation management and other before- and during-the-event management for business lines.

The Internal Audit Department detects material defects in key rules and procedures and processes or internal control weaknesses through audits, reports these issues to the Supervisory Committee, the Audit Committee, management, the Legal and Compliance Department and the Risk Management Department, and drives any follow-up corrections and rectifications.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

During the Reporting Period, as a pilot securities companies under consolidated supervision, the Company realized the integrated management of risk control and compliance of all subsidiaries at home and abroad, and further optimized the counterparty management, new business and new product risk control, risk data governance and system construction, the risk response capability and refined management level of the Company has been further strengthened.

(IV) Details of the Primary Risks Associated with the Operation of the Company

The risks in the daily operating activities of the Company primarily include strategic risk, credit risk, liquidity risk, market risk, operational risk, information technology risk, legal risk and compliance risk and reputation risk. The Company has established specific policies and procedures to identify and address these risks, set out appropriate risk limits and internal control processes to manage these risks, and built a sound control mechanism and information technology systems to effectively monitor and control these risks. The major risks and risk management of the Company during the Reporting Period are as follows:

1. Strategic Risk Management

Strategic risks refer to the risks that affects the Company's overall development direction, corporate culture, information and capability of survival or corporate effectiveness. The Company established rational organizational structure of strategic management, including the Board of Directors and the Development Strategy Committee, the Executive Committee and the Executive Office (leading organizational department for strategic planning) under the Board of Directors, as well as each department, each branch and subsidiary.

The Company has clearly formulated the procedures and methods of strategic planning, established assessment mechanism for strategic risk, including analysis on potential risk factors when formulating strategic plans, as well as regular review and discussion performed by the Board of Directors and the Executive Committee during the process of strategic planning. The Company will, based on the assessment on the implementation of strategic planning, make adjustment to the strategic plans or adopt targeted measures to control the strategic risk when necessary.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

2. Credit Risk Management

Credit risks refer to the risks arising from the economic loss caused by failure of performing the obligations by counterparties, issuers of debt financing instruments (or financiers).

Credit risks of the Company arising from securities financial business primarily includes risks from decline in value or insufficient liquidity of collateral provided by counterparties due to insufficient repayment ability, customers' failure to repay debts in full in a timely manner due to involvement in legal disputes of collateral assets, and credit risks arising from fraudulent credit information, violation of contracts and regulatory requirements in transaction actions. Control of credit risk from securities financing business is realized primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralized (pledged) securities, reasonable setting of indication of defaulting customers, financing of customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment by complying with the requirements of accounting standards, and actively recover debts from defaulting clients.

Credit risk arising from bond investments is primarily due to bond financing instrument issuer defaults or decline in the creditworthiness of issuers, defaults of counterparty to bond trade, among others. The Company conducts necessary due diligence to issuers and counterparties, establishes an internal rating system for implementing internal rating on issuers, debts and counterparty, executes access and limit management based on internal and external rating, and controls credit risk of bond investment by periodic and non-periodic risk screening and post-investment tracking. The Company controls credit risks relating to over-the-counter derivative transactions by setting counterparty ratings and credit lines, and setting limits on the size of transactions and related credit risk exposures before transactions can take place. The Company monitors and controls credit risk exposure of counterparties within established limits by adopting mark-to-market practices of derivative transactions and related collateral as well as forced position liquidating procedures.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

In order to manage the credit risk arising from the brokerage business, securities brokerage transactions in mainland China are all settled in full margin, which enables settlement risks associated with brokerage business to be well under control. The Company strictly complies with relevant trading and settlement rules and procedures to eliminate non-compliant financing operations for clients. With regard to clients' credit risk, the Company has adopted safeguarding measures to prevent overdraft or negative balance of equivalent securities for repurchase financing clients, including due diligence of clients, establishing reasonable trade limit with customers, discount rate of pledged bonds, minimum ratio of equivalent securities retained, maximum leverage ratio and pledge concentration of single bond, and established various rules and practices to manage the credit risk of option trading clients, including margin management, position limits, and forced closeout.

Furthermore, Risk Management Department monitors the credit risk on an ongoing basis, including tracking the credit qualification status of counterparties and bond issuers, monitoring coverage of collateral for securities and financial business, requiring the business department to fulfill its duty of post-investment management, as well as using stress testing and sensitivity analysis, among others, to measure the credit risk of major business lines.

3. *Liquidity Risk Management*

Liquidity risks refer to the risks that a commercial bank is unable to acquire sufficient funds in a timely manner at a reasonable cost, in response to repay due debts, fulfill other payment obligations and meet other funding needs during normal course of business.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Company has established clear decision-making levels, along with authority mechanism, mechanism for hierarchical control, and has clearly defined the duties and functions of the Board of Directors, as well as executive management and business departments of the Company in terms of liquidity risk management. The Asset and Liability Management Committee, which is under Executive Committee, is responsible for organizing and managing the asset and liability allocation plan of the Company, reviewing and approving the internal valuation interest rate of capital and emergency plans for liquidity risk. The Company established the Treasury Operations Department to initiate the management of the liquidity of its proprietary funds, accounting for expanding mid- and long-term stable funding channels, reasonably adjusting the asset allocation among various business lines, and steadily optimizing its assets and liabilities structure. The Company also implements management on liquidity risk limits and conducts daily position analyses and monthly liquidity position analyses mechanism to manage liquidity movements in a timely manner. In respect of business management, in order to effectively control the market liquidity risk of its securities portfolios, the Company has implemented securities centralized management system in securities investment and securities financial business, and adopted bond credit rating standards for fixed income securities investments;

The Company has improved its daily practice for liquidity risk management and control mechanism with the assistance of liquidity reserve asset management system, refining internal funds transfer pricing (FTP) system, as well as establishing and optimizing liquidity emergency plans and stress tests. In addition, during the Reporting Period, the Company rationally planned the scale of our assets and liabilities, optimized the maturity structure of liabilities, maintained adequate liquidity reserve, the liquidity coverage ratio and the net stable funding ratio were within the compliant and stable range and secured liquidity risk to be measurable and controllable.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

4. *Market Risk Management*

Market risks refer to the risks of losses in the Company's on-and-off balance sheet business due to adverse changes in the market price (interest rate, exchange rate, securities price and commodity price).

For market risks, the Company has established an integrated risk management organizational structure, implemented stage-by-stage authorization, provided clear structure of duties and authorities of the Board of Directors, executive management and business department in market risk control and built risk management processes that enable coverage of activities before, during and after making investments, with an overall risk limits application. The Company annually reviews and approves risk limits for the entire Company as well as each proprietary business line, including: exposure limits, stop-loss limits, value-at-risk ("VaR") limits, limits of sensitive indicators and stress testing limits, with the Risk Management Department monitoring and supervising their implementation and compliance. The Company has established various methods of valuation of financial instruments and adopted daily mark-to-market practices, and implemented stop-loss procedures which commensurate with its trading strategies. On a regular basis, the Company assesses the risk tolerance of its proprietary business lines, the effectiveness of risk control and revenue after risk adjustment, and includes the assessment results in the performance evaluation of these business lines. The Company makes ongoing efforts to improve its proprietary business management system, to steadily realize front-end controls over relevant limit indicators. The Company adopts VaR as a tool to measure the market risk of its investment portfolio comprising securities and its derivatives. VaR is a method that estimates the maximum possible loss on the portfolio due to movements in interest rates or market prices such as stock price over designated period and within a given confidence interval. As this method mainly relies on relevant information of historical data, it has certain inherent limitations. To complement, the Company implements daily and specific stress tests to assess the impact on the risk control indicators of net capital of the Company and profit or loss of proprietary portfolio from extreme adverse changes of risk factors, and proposes emergency plans with relevant recommendations and measures in accordance with the assessment.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Company uses sensitivity analysis as a primary instrument to monitor the interest rate risk. Sensitivity analysis measures the impact on the total income and shareholders' equity interests arising from fair value changes of various financial instruments held at the end of the period when there are reasonable and possible changes in interest rates, on the assumptions that all other variables remain constant and overall market interest rates shift in a parallel manner, while risk management activities which may be taken by the Company to reduce interest rate risks are not taken into consideration.

With regard to foreign exchange rate risk, the Company commenced the foreign exchange settlement and sale business with the approval of the SAFE in 2020, and China Securities International, the overseas subsidiary of the Company, held foreign currency assets and liabilities. As the proportion of assets denominated in foreign currencies held by our Company is insignificant, and represents a small portion of the income structure, the Company is of the view that the impact of foreign exchange rate risk on the Company's current operation is significant in general. The Company established a foreign exchange risk management mechanism and managed its foreign exchange rate risk by overseas business management, limiting the size of assets and liabilities denominated in foreign currencies and general position management on foreign exchange settlement, assigning stop-loss limits for investments and risk exposures in companies and risk hedging instruments with foreign exchange derivatives. Other price risks refer to risks of fair value decline to the Company's investment portfolio due to fluctuations in market prices other than stock prices, interest rates, and foreign exchange rates. The Company's investment portfolio primarily comprises equity securities, fixed income securities and their derivative instruments. Other market price-related businesses include gold, commodity and its derivatives trading where the Company primarily focuses on providing liquidity services and arbitrage trading in this type of business, representing small risk exposure. Accordingly, the Company believes that the other price risks do not have a significant impact on the Company's current operations.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

5. *Operational Risk*

Operational Risks refer to the risks of losses caused by imperfect or problematic internal procedures, employees, IT systems or external events.

Concerning the potential operational risks in each business and management activity of the Company, the Company carries out the segregation of various businesses with three lines of defense comprising a system of checks and balances between its front, middle and back offices. A business authority delegation and accountability system, as well as a management system, procedures and risk control measures for each business has been established and reinforced. Within the scope of authority of the Company, operational risks are transferred or mitigated by personnel and operation outsourcing and, where necessary, insurance is purchased to the extent authorized. Mechanisms for information exchange, reporting of major events and information feedback have also been set up.

The Risk Management Department monitors and assesses the operational risks of various businesses including the brokerage business, and also implements regular risk control evaluation. It examines the key risks of various business and management lines, and establishes and implements key control measures in practical business procedures. The department also develops and improves internal control matrix. The business departments are organized to conduct self-evaluation of risk and control to identify new material risks and take appropriate risk control measures. Statistical analysis on various types of operational risk events is performed at least on an annual basis to calculate the frequency of their occurrence and the level of losses, as well as to assess the changing trend of risk and risk allocations. During the Reporting Period, the Company further implemented various risk warnings and risk education programs, and held company-wide training on risk management topics, kept promoting the specific application of professional management tools for operational risk, improved contingency plans under epidemic situations, and actively responded to unexpected pandemic situations in individual regions.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

6. Information Technology Risk Management

Information technology risks refer to the operational, legal and reputational risks incurred from natural factors, human factors, technical defects and management flaws while the information technology is applied in the Company.

The Information Technology Department of the Company is responsible for the management of planning, establishment and operation maintenance of the information technology system. The Company carries out centralized management and backup of the data in transaction system, implementation of mutual separation of development, testing and operation maintenance of information technology system, as well as mutual separation of data management and application system, and implements strict control of access authority and track record, controls the choice of relevant software, hardware and external suppliers of information technology system, enhances external system management, performs real-time and automatic monitoring of the connection of important communication network and operation of the significant business system. In addition, the emergency management of business continuity of the Company is led by the Risk Management Department, the Information Technology Department is responsible for the technical support work and relevant business departments are fully involved.

7. Legal Risk and Compliance Risk Management

Legal risks refer to the risk from contracts not being performed due to invalidity within the law, or improper entering into of the contracts; Compliance risks refer to the risk that the Company may be exposed to legal sanction or regulatory measures, major property loss or reputation loss as a result of its non-compliance with the laws and regulations, regulatory rules, self-regulatory rules as well as code of conduct applicable for our own business activities.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Legal and Compliance Department unified to manage legal affairs of the Company and controlled legal risks. It led to review all agreements and contracts of the Company, provided legal opinions on major business matters of the Company and performed centralized management, as well as instructed to handle litigations of the Company. Meanwhile, it is also the department responsible for compliance management under the guidance of the Chief Compliance Officer to carry out independent compliance management of the Company. The main responsibilities of compliance management of the Legal and Compliance Department are tracking, analysis, propaganda of laws and regulatory rules currently in effect and timely identifying, evaluating and managing compliance risk in business operation and business innovation of the Company through methods of compliance inspection, compliance review, compliance checking, compliance supervision. Specific or part-time compliance management officers are engaged in all functional departments, business lines and securities branches of the Company, and are responsible for daily compliance management in their own departments. The compliance management of the Company has permeated all divisions of the Company, such as decision-making, implementation, supervision and feedback, which have been included in the whole process of executive management of the Company. The Company proactively cultivates a culture of compliance and improves the self-restraint mechanisms in order to ensure compliant operations and standardized development.

8. Reputation Risk Management

Reputation risks refer to the risks of negative comments to the Company from relevant stakeholders as a result of our operations, management and other activities or external events. The Company strictly upholds the compliance operation concept in accordance with laws, enhances information disclosure management, treasuring and proactively maintaining its reputation. The Executive Office of the Company, the leading department for reputation risk management, is responsible for comprehending the emergency issues and other issues which may have impact on the reputation of the Company by improving reputation risk management system and mechanism and continuously carrying out the media monitoring, timely evaluate and coordinate response to the reputation risk. During the reporting period, the Company did not have any major reputational issues, and maintained a normal and sound operating environment.

XIII. IMPACT OF COVID-19 PANDEMIC

Since the outbreak of COVID-19 pandemic, the Company has attached great importance to the prevention and control of the pandemic, and has taken various prevention and control measures. The Company always prioritizes the health of employees and provides them with a safe working environment; provides the customers with good securities services for the resumption of work and production of the real economy, and comprehensively promotes digital transformation to enhance customer service capability in this special period. As of the date of disclosure of the Report, the Company was operating in good condition, while the employee management and business development were not significantly affected by the pandemic.

SECTION 5 REPORT OF DIRECTORS

I. BUSINESS REVIEW

In face of the complicated and ever-changing market environment in 2021, the Company actively took responsive measures and forge forward, ensuring favorable development of various businesses. Please refer to the section headed “Section 4 – Management Discussion and Analysis” in the report for the details on principal businesses, operating model and industry review.

II. MAJOR RISKS AND UNCERTAINTIES

The major risks the Company is exposed to include market risks, credit risks and liquidity risks. For the risk management objectives and policies of the Company, please refer to the description on risk management of the Company set out in this annual report. Please refer to the “Section 4 – Management Discussion and Analysis – III. Discussion and Analysis on Future Development of the Company – (VI) Potential Risks” of this annual report for the major risks and uncertainties the Company faced in 2021.

III. RELEVANT LAWS AND REGULATIONS OF SIGNIFICANT INFLUENCE

Adhering to the principle of operating according to laws and regulations, the Company complies with the national laws and regulations, normative documents and various regulatory requirements.

In order to control operational risks, the Company established a sound and systematic mechanism by setting up a basic system at company level, under which each business line, department and branch shall establish a highly controllable management system, operational process and standardized regulations. The system covers all businesses and processes of the Company. In 2021, the Company formulated/amended and reviewed over 200 policies on internal management to enhance internal control capabilities according to regulatory requirements and the needs for business management of the Company; the Legal and Compliance Department of the Company is the department for the management of policies of the Company and shall be responsible for reviewing and approving the policies of the Company, requiring the business and management departments of the Company to implement the requirements of the regulatory authorities and self-regulatory organizations in businesses systems of the Company in a timely manner, ensuring that each internal policy of the Company is implemented in accordance with the laws and regulations, normative documents and regulatory requirements, and guaranteeing the coordination and uniformity among policies.

IV. PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

The formulation and implementation of the cash dividend policy and the 2021 profit distribution plan of the Company are set out in the “Management Discussion and Analysis – Profit Distribution Policy of the Company” section of this annual report.

V. TAX RELIEF

(I) Tax Relief of A Shareholders

Pursuant to “Notice on Relevant Issues Concerning Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies” (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) and “Notice on Relevant Issues Concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies” (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)), issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for the dividends and bonuses received by individual investors from listed companies, from the date when individual investors obtain the Company’s stocks to the equity registration date, if the term of shareholding exceeds one year, individual income tax will be temporarily exempted; if the term of shareholding does not exceed one year (including one year), the listed company will not withhold individual income tax, and will make corresponding adjustments in accordance with the above notification requirements when individual investors transfer stocks.

For shareholders of resident enterprises, income tax dividends and bonuses are calculated and paid by itself in accordance with regulations.

For qualified foreign institutional investors (QFII), pursuant to the “Notice on Relevant Issues Concerning the Payment of Dividends, Bonuses and Interests and Withholding the Enterprise Income Tax by Chinese Resident Enterprises to Qualified Foreign Institutional Investors” (Guo Shui Han [2009] No. 47) (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)) issued by the State Administration of Taxation, the listed company withholds corporate income tax at a rate of 10%. If the dividends received by QFII shareholders require to enjoy the treatment of Tax Treaty (arrangement), they may apply for tax refunds to the competent tax authorities after receiving the dividends in accordance with the regulations.

SECTION 5 REPORT OF DIRECTORS (Continued)

Pursuant to the “Notice on the Tax Policies Concerning the Pilot Programs Mechanism of Shanghai-Hong Kong Stock Connect Stock Market” (Cai Shui [2014] No. 81) (《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)) issued by the State Administration of Taxation issued by the Ministry of Finance, the state Administration of Taxation and CSRC for the dividends and bonuses received by Hong Kong market investors (including enterprises and individuals) by investing A Shares listed on the Shanghai Stock Exchange, before fulfilling the condition of provision of identities of investors, period of shareholding and other details and data to CSDC by Hong Kong Securities Clearing Co., Ltd., differential taxation policies are not implemented temporarily in accordance with the period of shareholding. Instead, the listed company withholds income tax at a rate of 10%, and handles the withholding declaration with its competent tax authorities. For Hong Kong investors who are tax residents in other countries and whose country enters into Tax Treaty with China that dividend and bonus income tax rate is less than 10%, enterprise or individual may, on its own or entrusting withholding agent, submit an application for tax treaty treatment to the competent tax authorities of the listed company. After the review by the competent tax authorities, tax refund shall be implemented based on the difference between the tax paid and the taxable amount calculated according to the tax treaty rate.

(II) Tax Relief of H Shareholders

Pursuant to the Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued by the PRC State Administration of Taxation, the dividends received by overseas resident individual shareholders from the shares issued by domestic non-foreign invested enterprises in Hong Kong are 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 in accordance with the relevant laws. Overseas resident individual shareholders who hold shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China, or the tax arrangements between the Mainland and Hong Kong (Macau). The relevant dividend tax rate 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. In circumstances where the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries falling under agreements subject to tax rates lower than 10%, the withholding agents will file applications on their behalf to seek entitlement to the relevant agreed upon preferential treatments, and upon approval by the tax authorities, excessive withheld tax amounts will be refunded; (2) for

SECTION 5 REPORT OF DIRECTORS (Continued)

citizens from countries falling under agreements subject to tax rates higher than 10% but lower than 20%, the withholding agents shall withhold individual income tax at the agreed upon effective tax rate upon distribution of dividends (bonus), and are not obligated to file an application; (3) for citizens from countries without tax agreements or under other circumstances, the withholding agents shall withhold individual income tax at a tax rate of 20% upon distribution of dividends.

Pursuant to the regulations in the Circular Concerning Questions on Withholding and Payment of Enterprise Income Tax when PRC Resident Enterprises Distribute to Overseas Non-resident Corporate Shareholders of H Shares (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 State Administration of Taxation, any PRC resident enterprises distributing dividends for the years from 2008 to overseas non-resident corporate shareholders shall withhold enterprise income tax at a uniform rate of 10%.

Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (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)), the Announcement on the Continued Implementation of Individual Income Tax Policy of the Shanghai and Hong Kong as well as Shenzhen and Hong Kong Stock Markets Interconnection Mechanism and Mutual Recognition of Funds between the Mainland and Hong Kong (MOF announcement No. 93 2019)(《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》(財政部公告2019年第93號)) and the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) (《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)) issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for dividends derived by mainland individual investors from investing in H-shares listed on the Hong Kong Stock Exchange through Shenzhen Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For mainland securities investment funds investing in Shares listed on the Hong Kong Stock Exchange through Shenzhen Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. Dividends derived by mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen Hong Kong Stock Connect shall be included in their total revenue, and the enterprise income tax thereon may be levied according to the tax law. For dividends derived by mainland resident enterprises where the relevant H shares have been continuously held for more than 12 months, the enterprise income tax thereon may be exempt according to the tax law.

SECTION 5 REPORT OF DIRECTORS (Continued)

VI. ANALYSIS AND DESCRIPTION OF REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES, AND RECTIFICATION ON SIGNIFICANT ACCOUNTING ERRORS

The Company has no relevant circumstances in 2021.

VII. SIGNIFICANT FINANCING

During the Reporting Period, significant financing activities of the Company are as follows:

(I) Details of previously raised funds

The proceeds previously raised referred to in this report include the proceeds raised through overseas listed foreign shares (H Shares) in December 2016 and the overallotment of overseas listed foreign shares (H Shares) in January 2017 (hereinafter referred to collectively as “proceeds raised through H Shares”), proceeds raised through the initial public offering of domestic listed RMB ordinary shares (A Shares) in June 2018 (hereinafter referred to as “proceeds raised through the initial public offering of A Shares”), and also proceeds raised from the non-public issuance of domestic listed RMB ordinary shares (A Shares) to a particular target (hereinafter referred to as “proceeds raised through the non-public issuance of A Shares”) in December 2020.

1. *Proceeds raised through H Shares*

Pursuant to the Approval for the Issue of Overseas Listed Foreign Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2016] No. 2529) issued by the CSRC on November 4, 2016, CSC Financial Co., Ltd. (the “Company”) was authorized to issue to the public 1,076,470,000 overseas listed foreign shares (H Shares) at an offer price of HK\$6.81 per share (equivalent to RMB6.06). The proceeds were paid up in Hong Kong dollars, amounting to HK\$7,330,760,700.00 (equivalent to RMB6,518,732,337.26). Upon deduction of the issuance expense equivalent to RMB200,903,380.25, the proceeds raised amounted to the equivalent of RMB6,317,828,957.01. The above-mentioned proceeds were paid up on December 9, 2016.

SECTION 5 REPORT OF DIRECTORS (Continued)

On January 5, 2017, the Company exercised partial over-allotment options to issue 69,915,238 overseas listed foreign shares (H Shares) at the offer price of HK\$6.81 per share (equivalent to RMB6.09). The proceeds were paid up in Hong Kong dollars, amounting to HK\$476,122,770.78 (equivalent to RMB425,534,726.38). Upon deduction of the issuance expense equivalent to RMB10,671,134.34, the proceeds raised were equivalent to RMB414,863,592.04, which were paid up on 5 January 2017. The above-mentioned proceeds raised amounted to an equivalent of RMB6,732,692,549.05, and such proceeds were verified by PwC Zhong Tian, Beijing Branch, which issued the capital verification report numbered PricewaterhouseCoopers Zhong Tian Beijing Yan Zi [2017] No. 037.

As of December 31, 2021, the balance of such proceeds raised in the designated bank account of H Share proceeds was equivalent to RMB3.1503 million, which was the bank deposit interest generated during the deposit period of the proceeds.

2. Proceeds raised through the initial public offering of A Shares

Pursuant to the Approval for the Initial Public Offering and the Listing of Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2018] No. 828) issued by the CSRC on May 25, 2018, the Company was authorized to issue to 400,000,000 domestic listed RMB ordinary shares (A Shares) at an offer price of RMB5.42 per share. The proceeds were paid up in RMB, amounting to RMB2,168,000,000.00. Upon the deduction of issuance expense equivalent to RMB99,302,819.71, proceeds raised were RMB2,068,697,180.29, which were paid up on June 13, 2018. The above mentioned proceeds raised through the initial public offering of A Shares were verified by PwC Zhong Tian which issued the capital verification report numbered PricewaterhouseCoopers Zhong Tian Yan Zi [2018] No. 0388.

As of December 31, 2019, such proceeds have been used up, and the designated bank account of proceeds raised through the initial public offering of A Shares has been cancelled.

SECTION 5 REPORT OF DIRECTORS (Continued)

3. Proceeds raised through the non-public issuance of A Shares

Pursuant to the Approval for the Non-Public Issuance of Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2020] No. 345) issued by the CSRC on 28 February 2020, the Company was authorized to issue not more than 1,277,072,295 domestic listed RMB ordinary shares (A Shares). As of December 22, 2020, the Company completed the non-public issuance of 110,309,559 RMB ordinary shares to a particular target at an issue price of RMB35.21 per share. The proceeds were paid up in RMB, amounting to RMB3,883,999,572.39. Upon the deduction of issuance expense of RMB36,235,817.84 (tax exclusive), proceeds raised were RMB3,847,763,754.55, which were paid up on December 22, 2020. The above mentioned proceeds raised through the non-public issuance of A Shares were verified by PwC Zhong Tian LLP which issued the capital verification report numbered PricewaterhouseCoopers Zhong Tian Yan Zi [2020] No. 1109. The net price to the Company of each share amounted to RMB34.88. On December 28, 2020, the non-public issuance of new A shares completed the share registration procedures at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The closing prices of the Company's A shares on December 28 and 29, 2020 were RMB39.29 and RMB39.55, respectively.

As of December 31, 2021, such proceeds have been used up, and the designated bank account of proceeds raised through the initial public offering of A Shares has been cancelled.

SECTION 5 REPORT OF DIRECTORS (Continued)

(II) Actual Use of The Proceeds Previously Raised

1. Proceeds raised through H Shares

According to the prospectus for overseas listed foreign shares (H Shares) issued by the Company in 2016, the Company planned to use an amount equivalent to RMB6,310.8920 million in total for five specific projects. The balance of additional proceeds from the exercise of any over-allotment option will be allocated to the above mentioned projects on a pro rata basis. The proceeds raised through the exercise of over-allotment options by the Company was equivalent to RMB414.8636 million, amounting to an equivalent of RMB6,725.7556 million when taken together with the proceeds raised as disclosed in the above mentioned H Share prospectus. As of December 31, 2021, the actual amount invested in the projects involving the use of the proceeds previously raised amounted to the equivalent of RMB6,730.9522 million in total.

The use of proceeds raised through H Shares of the Company as of December 31, 2021 is as follows:

Unit: RMB ten thousand

Total proceeds raised:	673,269.25	The accumulated amount of proceeds raised that has been used:	673,095.22
Total amount of proceeds raised with purpose changed:	Nil	Total amount of raised proceeds used in each year:	673,095.22
Proportion of raised proceeds with purpose changed:	Nil	2016:	204,106.16
		2017:	320,177.66
		2018:	125,000.00
		2019:	11,561.01
		2020:	Nil
		2021:	12,250.39

SECTION 5 REPORT OF DIRECTORS (Continued)

Unit: RMB ten thousand

No.	Investment project		Total investment amount of the raised proceeds						The accumulated investment amount of the raised proceeds as of December 31, 2021		The date on which the project is ready for use (or the completion progress of the project as of the closing date)
	Proposed investment project	Actual investment project	Proposed investment amount before fundraising	Proposed investment amount after fundraising	Actual investment	Proposed investment amount before fundraising	Proposed investment amount after fundraising	Actual investment	Difference between actual investment and proposed investment amount after fundraising		
			(Note 3)	(Note 3)		(Note 2)	(Note 1)				
1	Meeting investment and financing needs of customers	Meeting investment and financing needs of customers	35%, an amount equivalent to 235,401.45	35%, an amount equivalent to 235,644.24	235,644.24	235,401.45	235,644.24	235,644.24	-	N/A	
2	Enhancing investment and market-making capacity	Enhancing investment and market-making capacity	20%, an amount equivalent to 134,515.11	20%, an amount equivalent to 134,653.85	134,479.82	134,515.11	134,653.85	134,479.82	(174.03)	N/A	
3	Product seed fund	Product seed fund	20%, an amount equivalent to 134,515.11	20%, an amount equivalent to 134,653.85	134,653.85	134,515.11	134,653.85	134,653.85	-	N/A	
4	Enhancing crossborder business capacity and international competitiveness, increasing proportion of overseas assets and revenue	Enhancing crossborder business capacity and international competitiveness, increasing proportion of overseas assets and revenue	15%, an amount equivalent to 100,886.33	15%, an amount equivalent to 100,990.39	100,990.39	100,886.33	100,990.39	100,990.39	-	N/A	
5	Working capital and other general business use	Working capital and other general business use	10%, an amount equivalent to 67,257.56	10%, an amount equivalent to 67,326.92	67,326.92	67,257.56	67,326.92	67,326.92	-	N/A	
Total			672,575.56	673,269.25	673,095.22	672,575.56	673,269.25	673,095.22	(174.03)		

SECTION 5 REPORT OF DIRECTORS (Continued)

Note 1: The difference between the actual investment amount and the proposed investment amount was the exchange gains and losses caused by the difference between the actual exchange rate and the exchange rate of the total investment after fundraising as of 31 December 2021. The Company has compared, item by item, the proposed investment projects stated in the H Share prospectus with the specific usage as disclosed. As of December 31, 2021, H Share proceeds have all been used up. In addition, as of December 31, 2021, the proceeds proposed to be used in enhancing investment and market-making capacity equivalent to RMB1,346.5385 million has all been settled and used up. The difference between actual investment and proposed investment amounted to RMB1.7403 million, which was the exchange gains and losses caused by the difference between the actual exchange rate and the exchange rate of the total investment after fundraising.

Note 2: The actual investment of proceeds raised through H Shares is translated into RMB equivalent based on the actual exchange rate. Amount in the designated bank account for proceeds raised will be transferred to the Company's own general account upon the approval given by the Company for the purposes of the actual investment projects. Proceeds raised would not be separated from other proceeds within the self-owned general account. The Company recognized the actual use of the proceeds raised by further review and approval on the use and payment of the proceeds within the general account pursuant to the purposes of the actual investment projects.

Note 3: The difference between proposed investment before and after fundraising was mainly the difference arising from foreign exchange translation.

The Company has made no guarantee on benefits generated from the use of proceeds upon the issuance of overseas listed foreign shares. The proceeds raised through H Shares has already been used on the work proposed in the prospectus upon being paid up; correspondingly, net assets and net capital of the Company were both increased. Since proceeds used in all of the investment projects of proceeds raised include original self-owned proceeds and proceeds raised, it is not possible to separately calculate the benefits realized with the proceeds raised as of December 31, 2021.

SECTION 5 REPORT OF DIRECTORS (Continued)

2. Proceeds raised through the non-public issuance of A Share

According to the Plan for the Non-Public Issuance of A Shares in 2020 (revised draft) of the Company, the total amount of proceeds from the Non-public Issuance is no more than RMB13 billion (inclusive), all of which will be used for replenishment of capital and working capital of the Company after deducting the Issuance expenses in order to expand the Company's business scale and improve competitiveness and ability to withstand risks. The net amount of the proceeds actually raised by the Company from the non-public issuance of A Shares is RMB3,847,763,754.55, less than the maximum amount of the proceeds planned to raise (RMB13 billion). According to the Resolution on the Submission to the Shareholders' Meetings for Full Authorization to the Board to Deal with Relevant Matters in relation to the Non-public Issuance and its resolution to extend the validity period of the resolution considered and approved at the general meeting, the resolutions shall be authorized by the shareholders' general meeting to in turn authorize the management of the Company to deal with the matters in relation to the Non-public Issuance of A Shares within the scope of authorization. The management of the Company has identified specific investment projects based on the proceeds from the non-public offering of A Shares and the actual demand for the investment projects. As of December 31, 2021, the actual amount invested in the projects involving the use of the proceeds previously raised amounted to RMB3,849.6139 million in total.

The use of proceeds raised through the non-public issuance of A Share of the Company as of December 31, 2021 is as follows

Unit: RMB ten thousands

Total proceeds raised:	384,776.38	The accumulated amount of proceeds raised that has been used:	384,961.39
Total amount of proceeds raised with purpose changed:	Nil	Total amount of raised proceeds used in each year:	384,961.39
Proportion of raised proceeds with purpose changed:	Nil	2020 :	380,000.00
		2021 :	4,961.39

SECTION 5 REPORT OF DIRECTORS (Continued)

Unit: RMB ten thousands

No.	Investment project		Total investment amount of the raised proceeds				The accumulated investment amount of the raised proceeds as of December 31, 2021		Difference between actual investment and proposed investment	The date on which the project is ready for use (or the completion progress of the project as of the closing date)
	Proposed investment project	Actual investment project	Proposed investment amount before fundraising	Proposed investment amount after fundraising	Actual investment	Proposed investment amount before fundraising	Proposed investment amount after fundraising	Actual investment		
1	Development of brokerage business	Development of brokerage business	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00	-	N/A
2	Development of investment trading business	Development of investment trading business	130,000.00	130,000.00	130,000.00	130,000.00	130,000.00	130,000.00	-	N/A
3	Information system infrastructure	Information system infrastructure	4,776.38	4,776.38	4,961.39	4,776.38	4,776.38	4,961.39	185.01	N/A
4	Other arrangements of working capital	Other arrangements of working capital	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	-	N/A
Total			<u>384,776.38</u>	<u>384,776.38</u>	<u>384,961.39</u>	<u>384,776.38</u>	<u>384,776.38</u>	<u>384,961.39</u>	<u>185.01</u>	N/A

Note 1: The difference between the actual investment amount and the committed investment amount after raising is the net interest income generated as of December 31, 2021. The Company has compared the investment projects committed in the Plan for the Non-Public Issuance of A Shares in 2021(revised draft) and the disclosed contents of the specific uses item by item. As of December 31, 2021, the proceeds from the non-public issuance of A shares of the Company have all been used up. In addition, as of December 31, 2021, the Company has committed RMB47.7638 million for information system construction projects, and the difference between the accumulated investment amount and the committed investment amount as of the end of the period is RMB1.8501 million, which is the net interest income generated during the deposit period of the proceeds.

The Company has made no guarantee on benefits generated from the use of proceeds upon the issuance of domestic listed RMB ordinary shares of non-public issuance to specific targets. Proceeds raised through the non-public issuance of A Shares have been used on the work proposed in the Plan for the Non-Public Issuance of A Shares in 2021 (revised draft) upon receipt. Correspondingly, net assets and net capital of the Company both increased. Since proceeds used in all of the investment projects of proceeds raised include originally self-owned proceeds and raised proceeds, it is not possible to separately calculate the benefits realized with the raised proceeds as of December 31, 2021.

SECTION 5 REPORT OF DIRECTORS (Continued)

(III) Bond Financing

During the Reporting Period, the issuance of bonds (including enterprise bonds, corporate bonds and debt financing instruments of non-financial enterprises) was as follows:

1. In January 2021, the Company publicly issued a subordinated bond with a face value of RMB3.0 billion, of which, the first one is the “21 CSC C1” at the scale of RMB2.0 billion, with a term of 546 days and a rate of 3.50% and the second one is the “21 CSC C2” at a scale of RMB1.0 billion, with a term of three years and a rate of 3.87%. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis with interest repayment per annum and it is not guaranteed.
2. In March 2021, the Company publicly issued a subordinated bond with a face value of RMB4.0 billion, of which, the first one is the “21 CSC C3” at the scale of RMB3.0 billion, with a term of 455 days and the bond pays the principal and interest at 3.40% per annum at maturity and the second one is the “21 CSC C4” at a scale of RMB1.0 billion, with a term of three years and a rate of 3.88% with interest repayment per annum. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis and it is not guaranteed.
3. In April 2021, the Company publicly issued a subordinated bond with a face value of RMB5.5 billion, of which the first one is the “21 CSC C5” at the scale of RMB3.5 billion, with a term of 456 days and the bond pays the principal and interest at 3.27% per annum at maturity and the second one is the “21 CSC C6” at a scale of RMB2.0 billion, with a term of three years and a rate of 3.70% with interest repayment per annum. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis and it is not guaranteed.
4. In May 2021, the Company publicly issued a perpetual subordinated bond with a face value of RMB5.0 billion (“21 CSC Y1”). Every five interest-accruing years constitute a repricing period of the bond. At the end of each repricing period, the Company is entitled to extend the maturity of such Tranche of Bonds to one repricing period (i.e. for a period of 5 years) or redeem such Tranche of Bonds in full. The coupon rate of the bond at the first repricing period is 4.15%. The coupon rate will be reset for every five years starting from the 6th interest-accruing year if the Company elect to exercise renewal option.
5. In June 2021, the Company publicly issued a subordinated bond with a face value of RMB3.5 billion, of which, the first one is the “21 CSC C7” at the scale of RMB1.0 billion, with a term of 457 days and the bond pays the principal and interest at 3.30% per annum at maturity and the second one is the “21 CSC C8” at a scale of RMB2.5 billion, with a term of three years and a rate of 3.75% with interest repayment per annum. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis and it is not guaranteed.

SECTION 5 REPORT OF DIRECTORS (Continued)

6. In July 2021, the Company publicly issued a subordinated bond with a face value of RMB6.0 billion, of which, the first one is the “21 CSC C9” at the scale of RMB4.5 billion, with a term of 457 days and the bond pays the principal and interest at 3.05% per annum at maturity and the second one is the “21 CSC 10” at a scale of RMB1.5 billion, with a term of three years and a rate of 3.50% with interest repayment per annum. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis and it is not guaranteed.
7. In July 2021, the Company publicly issued a 153-day short-term corporate bond with a face value of RMB1.0 billion (“21 CSC S1”). The bond pays the principal and interest at 2.45% per annum at maturity. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis and it is not guaranteed.
8. In October 2021, the Company publicly issued a subordinated bond with a face value of RMB6.0 billion, of which, the first one is the “21 CSC 11” at the scale of RMB4.0 billion, with a term of two years and a rate of 3.43% and the second one is the “21 CSC 12” at a scale of RMB2.0 billion, with a term of three years and a rate of 3.75%. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis with interest repayment per annum and it is not guaranteed.
9. In October 2021, the Company publicly issued a subordinated bond with a face value of RMB4.0 billion (“21 CSC 13”), with a term of three years and a rate of 3.68%. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis with interest repayment per annum and it is not guaranteed.
10. In November 2021, the Company publicly issued a subordinated bond with a face value of RMB2.0 billion, of which, the first one is the “21 CSC 14” at the scale of RMB2.0 billion, with a term of two years and a rate of 3.13% and the second one is the “21 CSC 15” which was not issued. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis with interest repayment per annum and it is not guaranteed.
11. In December 2021, the Company publicly issued a subordinated bond with a face value of RMB3.0 billion (“21 CSC 16”), with a term of two years and a rate of 3.07%. The bond applies the fixed interest rate and its simple interest is calculated on an annual basis with interest repayment per annum and it is not guaranteed.

SECTION 5 REPORT OF DIRECTORS (Continued)

VIII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

The Company or any of its subsidiaries did not repurchase, sell or redeem securities of the Company for the year ended December 31, 2021.

IX. BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of Directors, Supervisors and senior management of the Company are set out in “Section 8 Directors, Supervisors, Senior Management and Employees” of this annual report.

X. SERVICE CONTRACTS AND APPOINTMENT LETTERS OF DIRECTORS AND SUPERVISORS

The Company entered into service contracts or appointment letters with Directors of the current session of the Board with their term of office starting from the date of the approval of election at the Shareholders’ general meeting and the obtaining of the relevant qualification (if applicable), until the expiry date of the term of the session of the Board.

In addition, the Company or its subsidiaries did not enter into any service contract with the Directors and Supervisors which will be terminated in one year without any compensation (other than statutory compensation).

XI. PERMITTED INDEMNITY PROVISIONS

The Company has purchased insurance for the Directors against legal liabilities arising from performance of their duties. The applicable law governing the relevant insurance policies was PRC law. The Company reviews the coverage of such insurance each year. During the Reporting Period, there were no claims for compensation against the Directors or senior management of the Company.

XII. MANAGEMENT CONTRACTS

During the Reporting Period, apart from employment contracts of employees, no management or administrative contracts were entered into or subsisting in respect of the whole or a substantial part of any business of the Company.

XIII. REMUNERATION POLICIES

The details of remuneration policies of the Company's Directors, Supervisors and senior management are set out in the "Section 8 Directors, Supervisors, Senior Management and Employees – V. Performance of Duties of Directors, Supervisors and Senior Management and VI. Remuneration of Directors, Supervisors and Senior Management" of this annual report.

The details of the Company's employee remuneration policies and remunerations of employees are set out in "Section 8 Directors, Supervisors, Senior Management and Employees – VII. Employees of the Parent Company and Major Subsidiaries – (II) Remuneration Policies" and "notes to the consolidated financial statements" of this annual report.

XIV. DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

During the Reporting Period, the Company or its subsidiaries did not enter into any transaction, arrangement or contract of significance in which the Directors or Supervisors or their respective connected entities had a material interest, whether directly or indirectly.

XV. DIRECTORS' INTERESTS IN BUSINESSES COMPETING WITH THE COMPANY

During the Reporting Period, none of the Directors had interests in any business which competes with the businesses of the Company.

SECTION 5 REPORT OF DIRECTORS (Continued)

XVI. INTERESTS AND SHORT POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

To the best knowledge of all Directors, as of December 31, 2021, no Directors, Supervisors or members of senior management of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or any of the Company's associated corporations (as defined in Part XV of the Securities and Futures Ordinance), which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be entered into the register referred to therein, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

As of December 31, 2021, no Directors and Supervisors or any of their spouses or children under 18 years of age had been granted the rights to purchase Shares or bonds of the Company for the benefit or exercise any aforesaid rights by themselves, nor have any Directors and Supervisors or any of their spouses or children under 18 years of age been granted the aforesaid rights from any other corporate body due to the arrangement made by the Company or any its subsidiaries.

XVII. INTERESTS AND SHORT POSITIONS TO BE DISCLOSED BY THE SHAREHOLDERS PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE

Details of interests and short positions to be disclosed by the Shareholders pursuant to the Securities and Futures Ordinance are set out in the "Section 7 Changes in Shares and Information on Substantial Shareholders – IV. Disclosure of Interests".

XVIII. PRE-EMPTIVE RIGHTS

The Company currently has no arrangement regarding the pre-emptive rights.

XIX. RESERVES AND RESERVES OF DISTRIBUTABLE PROFITS

Please refer to the "Consolidated Statement of Changes in Equity" and Note 46 to the "consolidated financial statements" of this annual report for details of changes in the reserves and the reserves of distributable profits of the Company.

XX. PROPERTY, PLANT AND EQUIPMENT

Please refer to “Note 17 to the consolidated financial statements” of this annual report for property, plant and equipment of the Group as of December 31, 2021.

XXI. MAJOR CLIENTS AND SUPPLIERS

The Company has a high-quality and diversified client base (primarily consisting of industry-leading corporations, institutional investors and high-net-worth individuals). The Company develops and maintains long-term relationships with clients and is dedicated to providing them with a comprehensive suite of products and services. The Company has gained its clients’ trust through deep engagement and thorough knowledge and understanding of their businesses.

In 2021, the total revenue and other income of the Company from the top five clients in the aggregate did not exceed 10% of our total revenue and other income in the aggregate. By virtue of the nature of our business, the Company has no major suppliers.

XXII. RELATIONSHIP WITH EMPLOYEES, CLIENTS, SUPPLIERS AND PERSONS WHO ARE MATERIALLY RELATED

Employees’ remuneration consists of fixed salary, performance-based bonuses, insurance and other benefits. The Company continues to promote and implement staff training programs featuring comprehensive planning, implementation by levels and clear purposes. For details about the remuneration and training plans for employees of the Company, please refer to the “Section 8 Directors, Supervisors, Senior Management and Employees – VII. Employees of the Parent Company and Major Subsidiaries – (II) Remuneration Policies” and “– (III) Training Program” of this annual report.

For information on the relationship between the Company and securities brokers, please refer to the “Section 8 Directors, Supervisors, Senior Management and Employees – VII. Employees of the Parent Company and Major Subsidiaries – (IV) Information of Securities Brokers” section of this annual report. For information on the relationship between the Company and major clients and suppliers, please refer to the “Section 5 Report of Directors – XXI. Major Clients and Suppliers” section of this annual report.

SECTION 5 REPORT OF DIRECTORS (Continued)

XXIII. SUFFICIENT PUBLIC FLOAT

Upon listing of the H Shares, the Hong Kong Stock Exchange granted a waiver to the Company, approving that the minimum public float for the H Shares shall be the highest of (1) 15% of the total issued Share capital of the Company; or (2) such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming that the overallotment option is not exercised); and (3) such percentage of H Shares to be held by the public immediately after the completion of the global offering (as increased by the H Shares to be issued upon any exercise of the over-allotment option). Upon the completion of the global offering (including the partial exercise of over-allotment option) and based on the minimum public float granted by the Hong Kong Stock Exchange, the minimum public float for the H Shares of the Company is no lower than 17.40%.

Upon the completion of initial public offering of A Shares in 2018, the number of H Shares held by the public is not less than 16.49% of the total issued Share capital. Upon the completion of the non-public issuance of A Shares in 2020, the number of H Shares held by the public is not less than 16.26% of the total issued Share capital. Based on the public information available to the Company and the knowledge of the Directors as of the Latest Practicable Date before the publishing of this annual report, the Company satisfies the public float requirements by continuously maintaining a total public float of A Shares and H Shares of not less than 17.40%.

XXIV. CORPORATE GOVERNANCE

The details of corporate governance are set out in the “Section IX Corporate Governance Report” section of this annual report.

XXV. PERFORMANCE OF SOCIAL RESPONSIBILITIES

The Company actively fulfills its social responsibilities, adheres to the goal of building a better platform for employees, provides better services for customers and making greater contributions to the society, strictly implements national industrial policies and environmental protection policies, prudently performs the economic responsibility, social responsibility, environmental responsibility of financial institutions, and promotes the harmonious and sustainable development of the Company, society and the environment. According to the division of responsibilities, the Company has established a long-term labor force for fulfilling social responsibilities mechanism.

The Company operated in compliance with laws and regulations, strived to increase its market share and operating results, and achieved good operating results during the Reporting Period. The Company continuously improved the corporate governance structure, strived to improve the scientific level of decision-making, and enhanced operating efficiency and improving information

SECTION 5 REPORT OF DIRECTORS (Continued)

disclosure standards. The Company continuously strengthened internal control and improve compliance management and risk management capabilities, actively carried out anti-corruption construction and improved the supervision and management mechanism. The Company gradually built a customer-oriented approach with integrated operation model. The Company actively participated in the construction of multi-level capital markets, such as the Sci-Tech Innovation Board, the ChiNext Board, the CBEX and regional equity trading markets, and focused on the development of small and medium-sized enterprises by providing good investment, financing and financial advisory services.

The Company adhered to the “people-oriented” principle, optimized and improved the remuneration and welfare policies, promoted employee training and exchanges, improved the working environment of employees, protected the legitimate rights and interests of employees, improved the talent training system, and strengthened the construction of talent team. The Company strived to provide a platform and create opportunities for outstanding talents. The Company cared about the physical and mental health of employees, and enriched their spare time by organizing walking, knowledge contests, Party history competitions, parent-child activities and establishing various cultural and sports clubs life. While doing a good job in daily operations, the Company paid attention to social welfare undertakings with a strong sense of social responsibility, and actively participated in social welfare activities to repay the society and contribute to the society. The Company also actively regarded investors’ need as the orientation, carried out various investor education activities, launched over a thousand original investor education products throughout the year, covering over 200,000,000 person-times, and held more than ten thousand public welfare investor education activities, covering over 170,000,000 person-times. Investors have mastered the necessary knowledge of investment, improved risk awareness and protected their legitimate rights and interests in accordance with the law. The Company continued to promote investor education into the national education system, and cooperate with Renmin Business School to set up the “corporate finance and wealth management” MBA courses to promote investor education to both general and professional. The Company carried out national education for teachers at Beijing University of Technology, and collaborated with schools and enterprises to discuss the digital transformation of enterprises, successfully exploring the new direction of national education.

In 2021, in order to put into practice the concept of innovation, coordination, green, open and shared development, and help achieve the goal of “carbon peak and carbon neutrality”, the Company implemented the national strategy, served the real economy, and promoted common prosperity. The Company actively fulfilled its corporate social responsibility and steadily promoted social welfare work. The ESG Committee under the Executive Committee of the Company is responsible for decision-making, coordination and management of ESG-related matters of the Company; The Company, including its subsidiaries, donated RMB10,000,000 to Henan Charity Federation for flood control and disaster relief and post-disaster reconstruction in Henan; China Securities Public Welfare Fund was established in cooperation with China Foundation for Poverty

SECTION 5 REPORT OF DIRECTORS (Continued)

Alleviation. The launched fund amounted to RMB2,000,000, and has donated RMB500,000 to 18-hole Rural Development Foundation in Huanyuan county, Hunan Province through the fund. The Company donated RMB1,000,000 to Jinggangshan Disabled Persons' Federation to jointly establish CSC Financial Limited Jinggangshan Disabled Persons' Development Fund. The Company donated RMB1,000,000 to the Red Cross of Ji county in Shanxi Province for flood relief and post-disaster reconstruction in Shanxi. In addition, in response to the call of the Securities Association of China, the Company donated RMB1,000,000 for post-disaster reconstruction, consolidation of poverty alleviation achievements, acceleration of rural revitalization and other work;

For details of the Company's performance of social responsibilities, please refer to the 2021 Social Responsibility and Environmental, Social and Governance Report of CSC Financial Co., Ltd..

XXVI. AUDITORS AND AUDIT COMMITTEE

Please refer to the "Section 6 Other Significant Events – II. Appointment or Termination of Auditors" of this annual report for details of the engagement or dismissal of auditors.

The consolidated financial results for the year have been reviewed by the Audit Committee. The Audit Committee and the board of directors have reviewed the accounting principles and practice adopted by the Group, and discussed auditing, internal control, financial reports and other matters.

XXVII. ENVIRONMENTAL POLICY AND PERFORMANCE

The Company has always been upholding the environmental concept of "low-carbon environmental protection and green operation". As a financial service institution, emissions in the course of business operation of the Company primarily include nitrogen oxide, SO₂ and greenhouse gas due to fuel consumption of motor vehicles, and indirect greenhouse gas emissions due to consumption of electricity in the offices; the consumption of resources primarily includes fuel for public vehicles, outsourced electric power, water for office use and papers for office use. Based on the characteristics of the industry, the Company had no significant impact on the environment and natural resources, but still attaches importance to its environmental performance management. On the one hand, the Company recognized and strictly complied with the laws and regulations and related policies in relation to environment stipulated by the state and relevant regulatory authorities, such as the Environmental Protection Law of the PRC, the Energy Conservation Law of the PRC, the Comprehensive Work Plan for Energy Conservation and Emission Reduction in the 13th Five-Year Plan Period (《“十三五”節能減排綜合工作方案》) issued

SECTION 5 REPORT OF DIRECTORS (Continued)

by the State Council, etc.; while on the other hand, the Company achieved energy conservation and emission reduction through various measures, such as the measure of a paper-free office, regular inspection on the use of electricity in the offices, the energy conservation settings of air-conditioners in the public area, reducing the standby power consumption of electrical appliances, installing water conservation facilities, strengthening control over fuel consumption and the management and control of use of business vehicles, etc., to ensure that the management of emissions and use of resources by the Company meet the requirements of relevant laws and regulations and truly turn the concept of “low-carbon environmental protection and green operation” into actions.

For details of the Company’s environmental policies and performance, please refer to the 2021 Social Responsibility and Environmental, Social and Governance Report of CSC Financial Co., Ltd.

XXVIII. PENSION SCHEMES

The Group provides its full-time employees in mainland China and certain countries or jurisdictions outside mainland China with relevant pension plans as required by the government authorities or by local labour laws (including the basic pension insurance in mainland China and the Mandatory Provident Funds in Hong Kong). There were no forfeited contributions under these pension plans.

The Group also provided defined contribution plan, i.e. corporate annuity scheme in mainland China, to some of its employees in mainland China. According to the requirements of the scheme, when an employee resigns, part of the amounts of the Company’s contributions not vested in the employee may be reallocated to the corporate annuity account based on the employee’s actual working time. Such reallocated contributions would not affect the annuity contribution level of existing employees. The Group did not utilize any of forfeited contributions to reduce the current contribution levels.

XXIX. FUTURE DEVELOPMENT/PROSPECT

Please refer to “Section 4 Management Discussion and Analysis – III. Discussion and Analysis on Future Development of the Company” of this annual report for the Company’s future development and prospect.

By order of the Board
WANG Changqing
Chairman

Beijing, the PRC, March 30, 2022

SECTION 6 OTHER SIGNIFICANT EVENTS

I. ANALYSIS AND EXPLANATION OF THE BOARD OF DIRECTORS ON THE REASONS AND IMPACT OF THE CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHODS

During the Reporting Period, there were no substantial changes in the major accounting policies and significant accounting estimates of the Company. There were no correction of material accounting errors of the Company.

II. APPOINTMENT OR TERMINATION OF AUDITORS

Unit: RMB ten thousand

Current appointment	
Name of the PRC auditor	PricewaterhouseCoopers Zhong Tian LLP
Remuneration for the PRC auditor	176
Term of service of the PRC auditor	7 years
Name of the overseas auditor	PricewaterhouseCoopers
Remuneration for the overseas auditor	109
Term of service of the overseas auditor	7 years

Note: The above is the audit expenses for the annual report of the Company, which does not include the audit expenses for subsidiaries of the Company.

Unit: RMB ten thousand

Name		Remuneration
Internal control auditor	PricewaterhouseCoopers Zhong Tian LLP	40

III. EXPLANATION OF APPOINTMENT OR TERMINATION OF AUDITORS

At the 2020 annual general meeting of the Company, it was considered and approved that PwC Zhong Tian and PwC be reappointed as the external auditors of the Company for 2021, respectively. They shall be responsible for the provision of the relevant audit services in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. PricewaterhouseCoopers Zhong Tian LLP was reappointed as the internal control auditor of the Company for 2021.

IV. PUNISHMENT AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLERS AND PURCHASERS

1. On February 7, 2021, CSRC took the administrative supervision measures to conduct a regulatory interview to CSC Financial

On February 7, 2021, CSRC issued the Decision on Adoption of Regulatory Interview Measures to the CSC Financial Co., Ltd. ([2021] No. 5), pointing out that the Company acted as the sponsor of the initial public offering and listing of Twenty First Century Aerospace Technology Co., Ltd., violating the following: inadequate verification to the adjustments of impairment of goodwill, connected transaction, balance sheet of the Issuer, failure to give professional opinions on on-lending matters of the Issuer as required and inadequate effectiveness of internal control. CSRC decided to take administrative measures to conduct a regulatory interview to the Company.

In response to such penalty, the Company's rectification measures were as follows: (1) to further strengthen the training for personnel related to investment banks business; (2) to further improve the internal control process of investment banks business, enhancing internal audit; (3) to conduct compliance and accountability for the relevant responsible departments and personnel.

SECTION 6 OTHER SIGNIFICANT EVENTS (Continued)

2. On November 19, 2021, the Shanghai CSRC took administrative supervision measures for rectification against the Shanghai Xuhui District Taiyuan Road Securities Branch of CSC Financial

On November 19, 2021, the Shanghai Bureau of the China Securities Regulatory Commission (the “Shanghai CSRC”) issued the Decision on Adoption of Rectification Measures to the Shanghai Xuhui District Taiyuan Road Securities Branch of CSC Financial Co., Ltd. (Hu Zheng Jian Jue [2021] No. 203), pointing out that the Branch violated the following: first, failure to perform duties due care and fully understand investors’ situation, violating the requirement of Article 3 of the Administrative Measures on Suitability for Securities and Futures Investors (證券期貨投資者適當性管理辦法); second, facilitating customers’ non-compliance in trading activities such as two financing beyond standards in the course of margin financing and securities lending business, violating the requirement of Article 4, No 5 of the Management Measures on Margin Financing and Securities Lending (證券公司融資融券業務管理辦法); third, failure to strictly comply with the Company’s system, inadequate management against broker, staff engaged in futures introducing brokerage business not eligible for practicing futures and inadequate comprehensive management, violating the relevant requirements of Article 21 of the Provisional Measures on Management of Securities Brokers (證券經紀人管理暫行規定) and Article 16, No. 2 of the Provisional Measures on Provision of Futures IB Business (證券公司為期貨公司提供中間介紹業務試行辦法), which reflected the inadequate internal control of the Branch. the Shanghai CSRC decided to take administrative measures for rectification against the Branch.

In response to such penalty, the Company’s rectification measures were as follows: (1) to conduct due diligence interviews for inventory key customers one by one in the Branch, supplementing due diligence information, fully understanding investors’ situation and to upgrade continuously; (2) to establish standing monitoring mechanism for “beyond standard” trading customers, to discover, identify and adopt relevant risk management measures in a timely manner; (3) to require the Branch to enhance the management on brokers, futures business introduction qualification, registration and maintenance of contracts and documents, strengthening the Company’s audits and inspections; (4) to conduct compliance and accountability for the relevant responsible departments and personnel.

SECTION 6 OTHER SIGNIFICANT EVENTS (Continued)

V. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group had no major litigation or arbitration that involves an amount exceeding RMB10 million and accounting for more than 10% of the absolute value of the Company's latest audited net assets to be disclosed under the Listing Rules of the SSE.

In addition, the Company, as the subject of bond issuance, issued the following interim announcements on involvement in litigation :

Summary and type of events	Index for inquiries
Update on the case that China Securities Funds Management Limited., as the applicant, on behalf of "CSC -Minsheng Bank-Jinan Agricultural Merchants No. 1 Asset Management Plan", applied for arbitration in relation to the event of the default in bond by Wuxi Wuzhou Ornament City Company Limited and Wuzhou International Holdings Limited	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on February 5, 2021.
The case that the Company as the plaintiff, applied for litigation against the financier in relation to the event of default in collateralized stock repurchase business by HE Qiaonv	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on February 5, 2021.
Update on the case that China Securities (International) Brokerage Company Limited (中信建投(國際)證券有限公司), an indirect wholly-owned subsidiary of the Company, applied for litigation in relation to the event of default in stock-pledged repurchase business by Ho Born Investment Holdings Limited (浩邦投資控股有限公司) , the financier, and Shi Hongliu, the guarantor	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on February 5, 2021.

SECTION 6 OTHER SIGNIFICANT EVENTS (Continued)

Summary and type of events	Index for inquiries
Update on the case that the Company, as one of the defendants, was involved in a lawsuit filed against Wu Sheng Asset Management (Guangzhou) Co., Ltd. (吳聲資產管理(廣州)有限公司) by Jiaxing Yuansheng Trading Co., Ltd. (嘉興市遠盛商貿有限責任公司) in respect of dispute of trading in securities investment funds	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on February 5, 2021.
Update on the case that the Company, as the applicant, applied for arbitration in relation to the event of default in stock-pledged repurchase business by Wang Yue, the financier	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on March 5, 2021
Update on the case that the Company, as the applicant, applied for arbitration in relation to the default in margin financing and securities lending businesses by Lv Xiaoqi, the financier	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on March 5, 2021
Update on the case that the Company, as the applicant, applied for arbitration in relation to the default of stock-pledged repurchase business by Shao Xiuying, the financier	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on March 5, 2021
Update on the case that an asset management plan managed by the company as the plaintiff applied for arbitration in relation to the event of default by Jilin Province Modern Agricultural Industry Investment Fund (LLP) (吉林省交通投資集團有限公司) as a bond issuer for breach of contract	Announcement on the Update of Involvement in Litigation and Arbitration of CSC Financial Co., Ltd. issued on the bond section on the website of SSE on March 5, 2021

SECTION 6 OTHER SIGNIFICANT EVENTS (Continued)

VI. MATERIAL CONTRACTS AND EXECUTION

During the Reporting Period, the Group did not have significant contracting or lease arrangements, nor were there such arrangements carried forward to the Reporting Period from the previous period.

VII. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

The Group conducts connected transactions in strict compliance with both the Listing Rules of the SSE and the Hong Kong Listing Rules, and “Policy on Management of Connected Transactions of CSC Financial Co., Ltd.” (中信建投証券股份有限公司關連交易管理制度). The Group’s connected transactions were conducted based on the principles of fairness, openness and impartiality, and the connected transaction agreements were entered into based on the principles of equality, voluntariness, fairness and compensation.

During the Reporting Period, the Company was in compliance with the requirements of connected transactions set out in Chapter 14A under the Hong Kong Listing Rules. During the Reporting Period, the Company did not have any connected transaction which would be required to be disclosed under such rules. Details on related party transactions under the relevant accounting standards can be found in Note 51 in the appended consolidated financial statements.

VIII. MATERIAL ACQUISITIONS AND DISPOSAL DURING THE REPORTING PERIOD

During the Reporting Period, the Group did not have any material acquisitions, disposals, swaps or asset reorganizations of subsidiaries, associates, joint operations or joint ventures.

IX. RESULTS OF CLASSIFICATION AND RATING RECEIVED BY THE COMPANY

In 2021, in the classification and rating of securities firms by the CSRC, the Company was rated “Class A Grade AA” for twelve consecutive years. The Company is one of the only three PRC securities companies in the industry which received such a rating for twelve consecutive years during 2010 to 2021 with such a rating currently being the highest rank granted by the CSRC. In addition, China Securities Futures continued to be rated “Class A Grade AA Futures Company” under the classification base on futures firms announced in 2021.

In 2021, the ESG of the Company was rated “BBB” by MSCI (Morgan Stanley Capital International), reaching an advanced level among Chinese securities companies. In addition, following the rating of Baa1 (stable outlook rating) by Moody’s and BBB+ (stable outlook rating) by Fitch in 2020, the Company won the BBB+ by S&P rating (stable outlook rating) in 2021, being the first securities company to receive the highest credit rating of Chinese securities companies granted by the three major international rating agencies at the same time.

SECTION 6 OTHER SIGNIFICANT EVENTS (Continued)

X. CUSTODIAN WORK

On 17 July 2020, the CSRC issued an announcement deciding to take over New Times Securities Company Limited (hereinafter referred to as the “New Times Securities”) in accordance with the law. Entrusted by the CSRC, CSC established the new times securities custodian group to perform the duties of the custodian. The custodian group strictly follows the requirements of the Takeover Committee, complies with the Regulations on Risk Handling of Securities Companies, to carry out all kinds of work in an orderly manner with a working principles of “solidifying history, maintaining operation, complying with laws and regulations and making no risks” in accordance with the requirements of “double posts and double responsibilities”, and 382 staff were stationed to participate in the custodian work at its peak. In July 2021, the CSRC issued an announcement deciding to extend the duration of takeover to 16 July 2022. At present, the custodian group has established a long-term mechanism for custodian work, and the business of New Times Securities is running smoothly.

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

I. SHARE CAPITAL STRUCTURE OF THE COMPANY

As of December 31, 2021, the share capital structure of the Company was as follows:

Name of Shareholders	Type of Shares	Number of Shares	Percentage in the total Number of Shares
Beijing Financial Holdings Group (北京金控集團)	A Shares	2,684,309,017	34.61%
Central Huijin (中央匯金)	A Shares	2,386,052,459	30.76%
Other Shares held under the name of HKSCC			
Nominee Limited (香港中央結算(代理人)有限公司其他代持股份) ^(Note 1)	H Shares	909,120,618	11.72%
CITIC Securities (中信証券)	A Shares	382,849,268	4.94%
Glasslake Holdings (鏡湖控股)	H Shares	351,647,000	4.53%
Tengyun Investment (騰雲投資)	A Shares	113,556,653	1.46%
HKSCC Limited (香港中央結算有限公司) ^(Note 2)	A Shares	41,416,003	0.53%
Fujian Gui'an Xintiandi Tourism Culture Investment Co., Ltd. (福建貴安新天地旅遊文化投資有限公司)			
	A Shares	38,861,100	0.50%
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司–國泰中證全指證券公司交易型開放式指數證券投資基金)			
	A Shares	24,207,362	0.31%
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司–華寶中證全指證券公司交易型開放式指數證券投資基金)			
	A Shares	16,510,718	0.21%
Other public holders of A Shares	A Shares	807,908,455	10.42%
Other public holders of H Shares	H Shares	256,144	0.01%
Total		<u>7,756,694,797</u>	<u>100.00%</u>

Note 1: HKSCC Nominees Limited is the nominee holder of the H Shares held by non-registered shareholders, and the shares indicated in the above table are other H Shares held by HKSCC Nominees Limited other than Glasslake Holdings.

Note 2: The shares held by HKSCC Limited are A Shares held by non-registered shareholders of SSE.

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS (Continued)

II. SHAREHOLDERS

As of December 31, 2021, the total number of Shareholders as shown on the register of members of the Company was 185,886, of which 185,824 were A Shareholders and 62 were H Share registered Shareholders.

The H Share registered Shareholders include HKSCC Nominees Limited, which held H Shares of the Company as the nominee for all institutional and individual investors that maintained an account with it as of December 31, 2021.

III. INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As of December 31, 2021, Beijing Financial Holdings Group, the largest Shareholder of the Company, held 34.61% of the Shares of the Company; Central Huijin, the second largest Shareholder of the Company, held 30.76% of the Shares of the Company.

As of the date of disclosure of this report, the number of Shares held by and shareholding percentage of Beijing Financial Holdings Group and Central Huijin remained unchanged.

(I) Beijing Financial Holdings Group

Beijing Financial Holdings Group was established on October 19, 2018. Its legal representative is Fan Wenzhong and its registered capital is RMB12 billion. The scope of business includes: financial equity investment and guarantee; capital operation and asset management; entrusted management of specialty funds; credit guarantees and re-guarantees; project investment; investment management; reorganization, merger and acquisition consulting and financial research, business data and credit and other financial information collection and management; industrial investment and other businesses related to the Company's operation.

(II) Central Huijin

Central Huijin was established on December 16, 2003. Its legal representative is Peng Chun and its registered capital is RMB828,208,627,200. The scope of business includes: accepting the authorization by the State Council to conduct equity investment in key state-owned financial enterprises; and other related businesses approved by the State Council.

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS (Continued)

IV. DISCLOSURE OF INTERESTS

INTERESTS AND SHORT POSITIONS TO BE DISCLOSED BY THE SHAREHOLDERS PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE

To the knowledge of the Directors, as of December 31, 2021, the following Shareholders (except Directors, Supervisors and senior management) had interests or short positions in the Shares and underlying Shares of the Company required to be recorded in the register to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of Shares Directly or Indirectly Held	Class of Shares	Nature of Interest	Approximate	Approximate
					Percentage of Shareholding in the Total Issued Ordinary Share Capital	Percentage of Shareholding in the Relevant Class of Shares
1. Beijing Financial Holdings Group (北京金控集團) ^(Note 1)	Beneficial owner	2,684,309,017	A Shares	Long positions	34.61%	41.32%
2. Central Huijin (中央匯金)	Beneficial owner	2,386,052,459	A Shares	Long positions	30.76%	36.73%
3. CITIC Securities (中信証券)	Beneficial owner	382,849,268	A Shares	Long positions	4.94%	5.89%
		250,000	A Shares	Short positions	less than 1%	less than 1%
	Approved lending agent	250,000	A Shares	Long positions (Shares available for loan)	less than 1%	less than 1%
4. Glasslake Holdings (鏡湖控股) ^(Note 2)	Beneficial owner	351,647,000	H Shares	Long positions	4.53%	27.89%
5. Affluent East Investments Limited (東滿投資有限公司) ^(Note 2)	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
6. CITIC Limited (中信股份) ^(Note 2)	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
7. CITIC Group (中信集團) ^(Note 2)	Interest of Controlled Corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
8. Shanghai Ningquan Asset Management Co., Ltd. (上海寧泉資產管理有限公司)	Investment manager	100,830,500	H Shares	Long positions	1.30%	8.00%
9. Wellington Management Group LLP ^(Note 3)	Investment manager	75,208,816	H Shares	Long positions	0.97%	5.96%
		213,312	H Shares	Short positions	less than 1%	0.02%

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

- (1) Glasslake Holdings is wholly-owned by Affluent East Investments Limited (東滿投資有限公司) ("Affluent East"), which is in turn a wholly-owned subsidiary by CITIC Limited. CITIC Group indirectly holds a majority of equity interest in CITIC Limited. Therefore, each of Affluent East, CITIC Limited and CITIC Group is deemed to be interested in the H Shares held by Glasslake Holdings under the SFO.
- (2) Wellington Management Group LLP holds a total of 75,208,816 shares (long position) and 213,312 shares (short position) of H shares in the Company by virtue of its relationship with a number of corporations, of which 89 shares (long position) and 3,812 shares (short position) H shares are held in an unlisted derivative instrument settled in cash. According to the disclosure of interest notice filed by Wellington Management Group LLP, with a relevant event date of November 12, 2021, the following interests in H shares were held by Wellington Management Group LLP:

Name of controlled corporation	Name of controlling person	% control	Direct interest (Y/N)		Number of Shares
Wellington Group Holdings LLP	Wellington Management Group LLP	99.70	N	Long positions	75,208,816
				Short positions	213,312
Wellington Investment Advisors Holdings LLP	Wellington Group Holdings LLP	99.99	N	Long positions	75,208,816
				Short positions	213,312
Wellington Management Global Holdings, Ltd.	Wellington Investment Advisors Holdings LLP	94.10	N	Long positions	67,291,520
Wellington Management Company LLP	Wellington Investment Advisors Holdings LLP	99.99	Y	Long positions	7,917,296
				Short positions	213,312
Wellington Management Hong Kong Ltd	Wellington Management Global Holdings, Ltd.	100.00	Y	Long positions	14,955,000
Wellington Management International Ltd	Wellington Management Global Holdings, Ltd.	100.00	Y	Long positions	52,322,548
Wellington Management Singapore Pte Ltd	Wellington Management Global Holdings, Ltd.	100.00	Y	Long positions	13,972

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, as of December 31, 2021, to the knowledge of the Directors, no other person (except Directors, Supervisors and senior management) had interests or short positions in the Shares, underlying Shares and debentures of the Company required to be recorded in the register to be kept by the Company under Section 336 of the SFO.

Save as disclosed above, as of December 31, 2021, Directors did not hold any positions as directors or employees in companies which had interests or short positions in the Company that needed to be notified to the Company under division 2 and 3 of Part XV of the SFO.

V. ISSUANCE OF SHARES OR CHANGES IN REGISTERED CAPITAL OF THE COMPANY OR ITS SUBSIDIARIES

Not applicable.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in Shareholding and Remuneration of Current and Former Directors, Supervisors and Senior Management during the Reporting Period

Unit: Share

Name	Position (Note)	Gender	Date of birth	Commencement date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase or decrease in the number of Shares	Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period	Remuneration received from related parties of the Company
										(RMB ten thousand)	
WANG Changqing	Chairman of the Board, Executive Director and Chairman of Executive Committee	Male	June 1963	April 2018	Upon expiry	0	0	0	-	468.92	No
YU Zhongfu	Vice Chairman of the Board and Non-executive Director	Male	November 1970	April 2018	Upon expiry	0	0	0	-	0	No
WANG Xiaolin	Vice Chairman of the Board and Non-executive Director	Male	February 1963	July 2020	Upon expiry	0	0	0	-	0	No
LI Geping	Executive Director, General Manager, Member of Executive Committee and Chief Financial Officer	Male	November 1967	April 2018	Upon expiry	0	0	0	-	456.42	No
ZHANG Qin	Non-executive Director	Female	August 1970	April 2018	Upon expiry	0	0	0	-	0	No
ZHU Jia	Non-executive Director	Female	October 1982	April 2018	Upon expiry	0	0	0	-	0	Yes
ZHANG Wei	Non-executive Director	Female	October 1981	June 2021	Upon expiry	0	0	0	-	0	No

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Position (Note)	Gender	Date of birth	Commencement date of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase or decrease in the number of Shares	Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period	Remuneration received from related parties of the Company
										(RMB ten thousand)	
YANG Dong	Non-executive Director	Male	July 1976	October 2021	Upon expiry	0	0	0	-	0	No
WANG Hua	Non-executive Director	Female	August 1976	June 2021	Upon expiry	0	0	0	-	0	No
DAI Deming	Independent Non-executive Director	Male	October 1962	April 2018	Upon expiry	0	0	0	-	23.00	Yes
BAI Jianjun	Independent Non-executive Director	Male	July 1955	April 2018	Upon expiry	0	0	0	-	23.00	Yes
LIU Qiao	Independent Non-executive Director	Male	May 1970	April 2018	Upon expiry	0	0	0	-	23.00	Yes
PO Wai Kwong	Independent Non-executive Director	Male	January 1957	May 2021	Upon expiry	0	0	0	-	14.00	Yes
LAI Guanrong	Independent Non-executive Director	Male	December 1962	May 2021	Upon expiry	0	0	0	-	14.00	Yes
ZHOU Xiaoyu	Chairman of the Supervisory Committee	Male	June 1964	August 2021	Upon expiry	0	0	0	-	398.72	No
AI Bo	Supervisor	Female	February 1971	April 2018	Upon expiry	0	0	0	-	0	No
ZHAO Lijun	Supervisor	Female	October 1963	April 2018	Upon expiry	0	0	0	-	0	No
LIN Xuan	Employee Representative Supervisor	Female	February 1972	April 2018	Upon expiry	0	0	0	-	399.15	No
ZHAO Ming	Employee Representative Supervisor	Male	May 1971	April 2019	Upon expiry	0	0	0	-	406.66	No
ZHOU Zhigang	Member of Executive Committee	Male	May 1964	April 2018	Upon expiry	0	0	0	-	415.92	No
JIANG Yueqin	Member of Executive Committee	Male	December 1966	April 2018	Upon expiry	0	0	0	-	410.42	No
LI Yunan	Member of Executive Committee	Male	November 1969	March 2020	March 2022	0	0	0	-	379.43	No

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Position (Note)	Gender	Date of birth	Commencement date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase or decrease in the number of Shares	Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period	Remuneration received from related parties of the Company
										(RMB ten thousand)	
LI Tiesheng	Member of Executive Committee	Male	July 1971	April 2018	Upon expiry	0	0	0	-	329.03	No
WANG Guangxue	Member of Executive Committee and Secretary of the Board	Male	June 1972	April 2018	Upon expiry	0	0	0	-	701.28	No
ZHANG Xinfan	Member of Executive Committee	Male	December 1968	April 2018	Upon expiry	0	0	0	-	592.43	No
LIU Naisheng	Member of Executive Committee	Male	February 1971	April 2018	Upon expiry	0	0	0	-	593.92	No
HUANG Ling	Member of Executive Committee	Male	October 1976	April 2018	Upon expiry	0	0	0	-	667.92	No
DING Jianqiang	Member of Executive Committee and Chief Compliance Officer	Male	May 1973	April 2019, May 2019	Upon expiry	0	0	0	-	469.27	No
LU Ya	Member of Executive Committee and Chief Risk Officer	Female	February 1966	April 2019	Upon expiry	0	0	0	-	475.03	No
XIAO Gang	Member of Executive Committee and Chief Information Officer	Male	June 1969	April 2019	Upon expiry	0	0	0	-	478.71	No
PENG Wende	Member of Executive Committee	Male	June 1966	July 2019	Upon expiry	0	0	0	-	665.07	No
FENG Genfu (Resigned)	Independent Non-executive Director	Male	June 1957	April 2018	May 2021	0	0	0	-	10.50	Yes

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Position (Note)	Gender	Date of birth	Commencement date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase or decrease in the number of Shares	Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period	Remuneration received from related parties of the Company
										(RMB ten thousand)	
Zhu Shengqin (Resigned)	Independent Non-executive Director	Female	December 1976	April 2018	May 2021	0	0	0	-	10.50	Yes
WANG Hao (Resigned)	Non-executive Director	Male	December 1968	April 2018	September 2021	0	0	0	-	0	No
YUAN Jianmin (Resigned)	Member of Executive Committee	Male	May 1961	April 2018	June 2021	0	0	0	-	88.13	No
ZHOU Xiayu (Adjusted)	Member of Executive Committee	Male	June 1964	April 2018	July 2021	0	0	0	-	-	No
Total	/	/	/	/	/	0	0	0	/	8,514.43	/

Note 1: Such legal person or other organization has become related party of the Company as a result of the independent Non-executive Director of the Company acting as a director in a legal person or other organization other than the Company and its controlling subsidiaries. Some of the non-executive Directors hold positions in the shareholder units which belong to the related parties. During the Reporting Period, non-executive Directors and independent Non-executive Directors received remuneration from the above-mentioned related parties.

Note 2: In March 2022, the 39th meeting of the second session of the Board of Directors of the Company agreed that Mr. Li Yunan would no longer serve as a member of the Executive Committee of the Company due to work arrangement. Please refer to the relevant announcements of the Company for details.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

(II) Biographical Details of Current Directors, Supervisors and Senior Management of the Company

Name	Main professional experience
Wang Changqing	<p>Mr. WANG Changqing (王常青) is the secretary of the Party Committee, Chairman and an Executive Director of the Board, and the Chairman of the Executive Committee of the Company. Mr. Wang joined the Company in November 2005, and has been serving as an Executive Director since February 2007, and Chairman and the Chairman of the Executive Committee since September 2011. Mr. Wang is currently the vice chairman of the Securities Association of China (the "SAC"), the president of the Securities Association of Beijing, a member of the fifth session of board of directors of the SSE.</p> <p>Mr. Wang served as the deputy plant manager of the Copper Powder Plant (銅粉分廠) in Beijing Smelting Factory (北京冶煉廠), the deputy director of production planning department in the Beijing Non-Ferrous Metal Industry Corporation (北京市有色金屬工業總公司), the director and deputy general manager of Beijing Kaibao Travel and Food Company (北京凱寶旅游食品公司), the head of the equity underwriting department of the Beijing representative office of Daiwa Securities Group Inc., the general manager of the investment banking department of the Shanghai branch, the deputy general manager of the investment banking department, the administrative head and managing director of the investment banking business and vice chairman of the corporate finance committee in CITIC Securities Co., Ltd., and the deputy general manager, general manager and member of the Executive Committee of the Company.</p> <p>Mr. Wang obtained a Bachelor of Engineering degree from Northeastern Institute of Technology (currently known as Northeastern University) and a Master's degree in Economics from Renmin University of China.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
YU Zhongfu	<p>Mr. YU Zhongfu (于仲福), is the Vice Chairman of the Board and a Non-executive Director of the Company. Mr. Yu has been serving as a Director of the Company since March 2011, the Vice Chairman of the Board of the Company since August 2016. Mr. Yu currently serves as the deputy general manager of Beijing State-owned Capital Operation and Management Limited (北京國有資本運營管理有限公司).</p> <p>Mr. Yu served as a deputy chief of industry section of Planned Economy Committee of Shijingshan District, Beijing, the deputy director of department of small and medium enterprises of Beijing Municipality Commission of Economy, the deputy director (in charge) of the division of enterprise reform of Beijing Municipality Commission of Economy, the deputy director of division of reform and development (general office), deputy director and then director of division of enterprise reform of State-owned Assets Supervision and Administration Commission of Beijing Municipality. During the past three years, Mr. Yu also served as a director of Wangfujing Group Co., Ltd. (a company listed on the SSE), a director of Beijing Jingneng Clean Energy Co., Limited (a company listed on the HKEX), a director of Beijing Urban-Rural Commercial (Group) Co., Ltd. (a company listed on the SSE), a director of BBMG Corporation (a company listed on the SSE), and a director of Beijing Rural Commercial Bank Co., Ltd..</p> <p>Mr. Yu obtained a Bachelor of Engineering degree from North China University of Technology, and he also obtained a Master of Public Administration degree from a joint program organized by Peking University and the National Institute of Administration. Mr. Yu was awarded the title of senior economist.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
WANG Xiaolin	<p>Mr. WANG Xiaolin (王小林), is the Vice Chairman and Non-executive Director of the Company. Mr. Wang has been serving as a non-executive Director of the Company since July 2020, the vice chairman of Board the Company since September 2020. He currently serves as an external director of Central Huijin Investment Ltd., and a non-executive director of China Everbright Group.</p> <p>Mr. WANG successively served as the deputy general manager, the secretary of the Party Committee and the general manager of the securities management headquarters at Shandong International Trust Co., Ltd. (山東省國際信託投資有限公司), a general manager assistant of Shandong High-Tech Investment Corporation Co., Ltd. (山東省高新技術投資有限公司), the head of the general office at Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司), a member of CPC Committee and the deputy general manager at Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司), the chairman of First-trust Fund Management Co., Ltd., (泰信基金管理有限公司), the deputy head (temporary) of the International Department at China Banking Regulatory Commission, and the deputy secretary of CPC Committee and general manager of Shandong Development Investment Holding Group Co., Ltd. (山東發展投資控股集團有限公司). During the past three years, Mr. Wang also served as an independent director of Shandong Hi-speed Company Limited (a company listed on the Shanghai Stock Exchange), and a director of China Everbright Bank Company Limited (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange).</p> <p>Mr. WANG obtained his master's degree in economics from Fudan University and obtained the title of a senior economist.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
LI Geping	<p>Mr. LI Geping (李格平), is an Executive Director, General Manager, deputy secretary of the Party Committee, the General Manager, a member of the Executive Committee and Chief Financial Officer of the Company. Mr. Li joined the Company in February 2018, and has been serving as an Executive Director, the General Manager and a member of the Executive Committee of the Company since April 2018, the Chief Financial Officer of the Company since May 2018, and the chairman of China Securities International. Mr. Li currently also serves as the chairman of the equity and alternative investment business committee of the SAC, vice-chairman of the self-discipline committee of the SSE, a member of the fifth session of board of directors of the SZSE, and the chairman of the listing training committee of SZSE.</p> <p>Mr. Li was a teacher of Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law); Mr. Li served as deputy secretary of the Party committee, director and president of Changjiang Securities Company Limited (長江證券股份有限公司); the secretary general of Securities Association of China; the deputy head of the regulatory department of securities and funds authority of the CSRC; the head of securities institution management department/insurance institution management department of Central Huijin Investment Ltd..</p> <p>Mr. Li obtained a bachelor degree of economics and a master's degree of economics from Zhongnan University of Finance and Economics (now known as Zhongnan University of Economics and Law), respectively. He obtained a doctoral degree of economics from the research institute in Chinese Academy of Social Sciences, and has enjoyed government special subsidies issued by the State Council. Mr. Li is also a researcher.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
ZHANG Qin	<p>Ms. ZHANG Qin (張沁) is a Non-executive Director of the Company. She has been serving as a Director of the Company since April 2018, and she currently serves as an assistant to the general manager and general manager of financing management department of BSCOMC.</p> <p>Ms. Zhang was engaged in accounting in Tianjin Huafeng Industrial Group Co., Ltd. (天津華豐工業集團公司) and Beijing Capital Development Co., Ltd. (北京市房地產開發經營總公司). She served as the deputy manager of planning and finance department of Beijing Tianhong Group Co., Ltd. (北京天鴻集團公司), and served as the chief financial officer of property operation and service department in Beijing Capital Development Holding (Group) Co., Ltd. (北京首都開發控股集團(有限)公司), the deputy general manager of Beijing Shoukai Renxin Property Co., Ltd. (北京首開仁信置業有限公司), deputy general management of financial management department and general manager of risk control and audit department of BSCOMC.</p> <p>Ms. Zhang obtained a master's degree of economics from Capital University of Economics and Business. Ms. Zhang obtained a title of senior accountant.</p>
ZHU Jia	<p>Ms. ZHU Jia (朱佳) is a Non-executive Director of the Company. She has been serving as a Director of the Company since April 2018, the assistant to the general manager of investment management department of Beijing Financial Holdings Group, and the director and deputy general manager (presiding over the work) of Jingquan capital management (Beijing) Co., Ltd. (璟泉資本管理(北京)有限公司); the director of Shengxin Futures Co., Ltd..</p> <p>Ms. Zhu held positions in the Beijing branch of the Bank of East Asia (Hong Kong) (東亞銀行(香港)北京分行), and Beijing State-owned Capital Operation and Management Limited.</p> <p>Ms. Zhu obtained a master's degree of finance and investment from the University of Exeter. Ms. Zhu obtained a title of financial economist.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
ZHANG Wei	<p>Ms. ZHANG Wei (張薇) is a Non-executive Director of the Company. Ms. Zhang has been serving as a director of the Company since June 2021, and she currently serves as director of the Office of Direct-managed Corporation Leading Group/the Second Department of Equity Management of Central Huijin Investment Limited.</p> <p>Ms. Zhang previously served as manager of the Capital Market Department, manager of the Non-bank Department, senior deputy manager of the Securities Institution Management Department/Insurance Institution Management Department of Central Huijin Investment Limited.</p> <p>Ms. Zhang obtained a bachelor's degree, in law, a master's degree in international law and a doctoral degree in international law from China University of Political Science and Law.</p>
YANG Dong	<p>Mr. YANG Dong (楊棟) is a Non-executive Director of the Company. Mr. Yang has been serving as a director of the Company since October 2021, and he currently serves as the external director of Central Huijin Investment Limited.</p> <p>Mr. Yang previously worked in Tianjin Branch of the People's Bank of China, Finance Research Institute of the People's Bank of China and other institutions. He served as senior deputy manager of Banking Department, director of ICBC Equity Management Office of Banking Institutions Department I, director and senior manager of ICBC Equity Management Office of Equity Management Department I of Central Huijin Investment Limited.</p> <p>Mr. Yang obtained a bachelor's degree in management science and a master's degree in economics from Hebei Agricultural University. Mr. Yang obtained his doctorate in economics from Renmin University of China, and has the title of senior economist.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
WANG Hua	<p>Ms. WANG Hua (王華) is a Non-executive Director of the Company. Ms. Wang has been serving as a director of the Company since June 2021, and she currently serves as the deputy general manager of the Finance Department of CITIC Group Corporation, and director of Zhonghai Trust Co., Ltd., director of China Agricultural Industry Development Fund, director of CITIC Urban Development & Operation Co., Ltd.. In addition, Ms. Wang has also been serving as a director of CITIC Heavy Industries Co., Ltd. (a company listed on the Shanghai Stock Exchange) since August 2019.</p> <p>Ms. Wang Hua previously served as director of the Tax Department of the Finance Department, assistant to the general manager of the Finance Department and director of the Tax Department, deputy general manager of the Finance Department and director of the Tax Department of CITIC Group Corporation.</p> <p>Ms. Wang Hua obtained a bachelor's degree in accounting and a master's degree in accounting from Dongbei University of Finance and Economics.</p>
DAI Deming	<p>Mr. DAI Deming (戴德明) is an independent Non-executive Director of the Company. Mr. Dai has been serving as an independent Director of the Company since August 2016, and currently serves as a professor and doctoral supervisor of the School of Business of Renmin University of China. Mr. Dai has served as an independent director of BOC Aviation Limited (a company listed on the HKEX) since May 2016, and an independent director of Power Construction Corp of China Ltd. (a company listed on the SSE) since March 2018, and an independent director of Poly Developments and Holdings Group Co., Ltd. (a company listed on the SSE) since September 2018. He is also the vice chairman of the Accounting Society of China.</p> <p>During the past three years, Mr. Dai served as an independent director of Zheshang Bank Co., Ltd. (a company listed on the SSE and the HKEX) and Haier Smart Home Co., Ltd. (a company listed on the SSE).</p> <p>Mr. Dai obtained a bachelor's degree in Economics from Hunan College of Finance and Economics (currently known as Hunan University), a master's degree in Economics from Zhongnan University of Economics, and a doctor's degree in Economics from Renmin University of China.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
BAI Jianjun	<p>Mr. BAI Jianjun (白建軍), is an independent Non-executive Director of the Company. Mr. Bai has been serving as an independent Director of the Company since August 2016, an independent director of Sichuan Xinwang Bank Co., Ltd. (四川新網銀行股份有限公司), an external supervisor of Postal Savings Bank of China Co., Ltd. (a company listed on the SSE and the HKEX) since October 2019.</p> <p>Mr. Bai pursued his visiting research at New York University in United States, and he was a visiting professor at Niigata University, a professor and doctoral supervisor at the Law School in Peking University, director of the Research Institute of Empirical Legal Affairs and deputy director of the Financial Law Research Center. During the past three years, Mr. Bai served as an external director of China Construction Bank Corporation (a listed company on the SSE and the HKEX).</p> <p>Mr. Bai obtained a master's degree in Law from Peking University and the Juris Doctor degree from Peking University.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
LIU Qiao	<p>Mr. LIU Qiao (劉俏) is an independent Non-executive Director of the Company. Mr. Liu has been serving as an independent Director of the Company since August 2016. Mr. Liu currently serves as the professor of finance and economics, doctoral supervisor and dean of the Guanghua School of Management of Peking University, and also an independent director of Megvii Co., Ltd.. Mr. Liu also served as an independent director of Beijing Capital Co., Limited (a company listed on the SSE) since December 2017, and an independent director of China Merchants Bank Co., Ltd. (a company listed on the SSE and the HKEX) since November 2018.</p> <p>Mr. Liu previously served as an assistant professor and associate professor (with tenure) at the Faculty of Business and Economics of the University of Hong Kong, and a consultant of the Asia-Pacific Corporate Finance & Strategy Practice of McKinsey & Company. During the past three years, Mr. Liu also served as an independent director of Zensun Enterprises Limited (a company listed on the HKEX).</p> <p>Mr. Liu obtained a Bachelor of Science degree in Economics and Mathematics from Renmin University of China, a Master's degree in International Finance and Economics from the Institute of Finance of PBOC (currently known as PBC School of Finance, Tsinghua University in China) and a Ph.D. in Economics from University of California, Los Angeles in the United States. Mr. Liu was granted the Outstanding Youth Award of National Natural Science Foundation of China (國家自然科學基金傑出青年獎) and awarded the title of distinguished professor (特聘教授) of Changjiang Scholars Program by Ministry of Education.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
Po Wai Kwong	<p>Mr. Po Wai Kwong (浦偉光先生) is an independent Non-executive Director of the Company. Mr. Po has been serving as an independent director of the Company since May 2021, an independent director of Everbright Securities Company Limited (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange) since December 2020, an independent director of Citibank (Hong Kong) Limited since July 2021. He is currently a member of the Advisory Committee of the Hang Seng Index in Hong Kong.</p> <p>Mr. Po previously served as the senior director of the Securities and Futures Commission (SFC) (證券及期貨事務監察委員會) of Hong Kong, the executive director of the Insurance Authority (保險業監管局) of Hong Kong and a member of International Advisory Council of the CSRC.</p> <p>Mr. Po holds a bachelor's degree in business administration and a master's degree in business administration from the Chinese University of Hong Kong (香港中文大學), and is also an accountant.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
LAI Guanrong	<p>Mr. LAI Guanrong (賴觀榮先生) is an independent Non-executive Director of the Company. Mr. Lai has been serving as an independent Non-executive Director of the Company since May 2021, and he currently serves as the chairman of the board of supervisors of Beijing Zhongguancun Science City Construction Holding Co., Ltd. (北京中關村科學城建設股份有限公司), the vice chairman of ABC Life Insurance Co., Ltd. (農銀人壽保險股份有限公司), a director of China Sciences Group (Holding) Corporation (中科實業集團(控股)有限公司), the chief economist and member of the investment committee of Shenzhen CMAF Management Co., Ltd. (深圳遠致富海投資管理有限公司). Mr. Lai has also been serving as an independent director of Chinasoft International Limited (中軟國際有限公司) (a company listed on Hong Kong Stock Exchange) since June 2015, an independent director of Dongxing Securities Co., Ltd. (東興證券股份有限公司) (a company listed on the SSE) since December 2021.</p> <p>Mr. Lai served as the deputy general manager (in charge of work) of Min Fa Security Limited Company (閩發證券有限責任公司), the deputy chief officer of the office of People's Bank of China Fujian Branch (中國人民銀行福建省分行), the general manager of Fujian Minnan Qiaoxiang Trust and Investment Company (福建省閩南僑鄉信託投資公司), the president of Huafu Securities Limited (華福證券有限責任公司), and the secretary of the party committee and president of Jiahe Life Insurance Co., Ltd. (嘉禾人壽保險股份有限公司), and the independent director of Xin Yuan Enterprises Group Limited (信源企業集團有限公司) (a company listed on Hong Kong Stock Exchange).</p> <p>Mr. Lai holds a bachelor's degree in finance from Xiamen University, a master's degree in monetary banking from the Graduate School of the People's Bank of China, and a doctorate in economics from Xiamen University.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
ZHOU Xiaoyu	<p>Mr. ZHOU Xiaoyu (周笑予) is the deputy secretary of the Party committee and the chairman of supervisory committee of the Company. Mr. Zhou joined our Company in November 2005 and has been serving as the chairman of supervisory committee since August 2021, and the chairman of supervisory committee of China Securities Futures. Mr. Zhou currently also serves as a member of self-discipline committee of the Securities Association of China.</p> <p>Mr. Zhou served as an engineer in Guangzhou Design Institute of Ministry of Light Industry, the executive deputy general manager in Shenzhen branch, the general manager of the business department in Dalian branch, the general manager of Shenyang Branch and the general manager of the brokerage business management of Huaxia Securities Co., Ltd., and the general manager of the Brokerage Business Management Department, the administrative head of the Treasury Operation Department, the administrative head of the Margin Financing and Securities Lending Department, director of Party Committee Office, the administrative head of the Human Resources Department and a member of the Executive Committee of the Company.</p> <p>Mr. Zhou obtained a Bachelor of Engineering degree from Tianjin Institute of Light Industry and Master of Engineering degree from South China University of Technology.</p>
AI Bo	<p>Ms. AI Bo (艾波) is a Supervisor of the Company. Ms. Ai has been serving as a Supervisor of the Company since August 2016 and she currently serves as the director of Party committee inspection office of China Investment Corporation.</p> <p>Ms. Ai worked for the secretariat for confidential matters of the general office of the Ministry of Supervision, the former general supervision office of supervision department under the Central Commission for Discipline Inspection and the former second discipline inspection office under the Central Commission for Discipline Inspection.</p> <p>Ms. Ai obtained a master's degree in Management from Kunming University of Science and Technology and obtained a certificate of certified enterprise risk manager.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
ZHAO Lijun	<p>Ms. ZHAO Lijun (趙麗君) is a Supervisor of the Company. Ms. Zhao has been serving as a Supervisor of the Company since April 2018, and she currently serves as the deputy director of working group for party construction/Party committee office/corporate culture department of China Investment Co., Ltd..</p> <p>Ms. Zhao served as a lecturer of Harbin Ship Engineering Institute, professor, vice minister of the propaganda department, vice principal of party school and deputy secretary of Party committee of Harbin Engineering University; as researcher of National Commission of Science and Technology Policy and Regulation Division, as researcher of Party committee directly under State Administration of Science, Technology and Industry for National Defense, as senior manager of human resources department, head of management team of party affairs, senior manager of office/Board office/Party committee office, team leader of working group for party construction/Party committee office, and as deputy director of the office of China Investment Co., Ltd. She also served as an external supervisor of Central Huijin Investment Limited (seconded to China Everbright Industrial (Group) Company Ltd.).</p> <p>Ms. Zhao obtained a bachelor's degree in law from the Department of Law of Heilongjiang University, a master's degree in law (economics) from Harbin Engineering University. Ms. Zhao obtained the bar qualification.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
LIN Xuan	<p>Ms. LIN Xuan (林煊) is a member of the Party committee, an employee representative Supervisor and the administrative head of Human Resources Department of the Company. Ms. Lin joined the Company in November 2005. She has been serving as an employee representative Supervisor since April 2018, the administrative head of Human Resources Department since January 2022, and she also serves as a supervisor of China Capital Management. Ms. Lin currently serves as a vice-chairman of talent development committee of the Securities Association of China, a member of Beijing Financial Staff Union.</p> <p>Ms. Lin served as business director and assistant to general manager of the investment banking department and the acquisitions department of Huaxia Securities Co., Ltd. (華夏證券股份有限公司), and assistant to general manager, director, executive director and managing director of investment banking department of the Company and the administrative head of Internal Audit Department.</p> <p>Ms. Lin obtained a bachelor's degree in Economics from Renmin University of China, a master's degree in Economics from the Graduate School of the People's Bank of China (currently known as PBC School of Finance, Tsinghua University in China), a PhD degree in Economics from Chinese Academy of Social Sciences, and A-share sponsor representative qualification.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
ZHAO Ming	<p>Mr. ZHAO Ming (趙明) is an employee representative Supervisor of the Company, administrative head of Financial Planning Department and Treasury Operation Department. Mr. Zhao has been serving as the administrative head of Financial Planning Department and Treasury Operation Department of the Company since July 2018; and an employee representative Supervisor since April 2019. Mr. Zhao also serves as a director of CSCI Capital, a director of China Securities Investment and the supervisor of China Securities Futures.</p> <p>Mr. Zhao once served as a business director of Investment Banking Department of Huaxia Securities Co., Ltd., the manager of Investment Banking Department of Shanghai Electric Group Finance Company Co., Ltd. (上海電氣集團財務有限責任公司), the managing director of Capital Market Department and the managing director of the Investment Banking Department of the Company.</p> <p>Mr. Zhao obtained a Bachelor's Degree in law from the People's Public Security University of China, a Master of Laws from Southwest University of Political Science and Law, a Master of Business Administration from China Europe International Business School and qualified as a lawyer and a certified public accountant.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
ZHOU Zhigang	<p>Mr. ZHOU Zhigang (周志綱) is a member of Party committee, a member of the Executive Committee of the Company. Mr. Zhou joined our Company in November 2005. He has been a member of the Executive Committee since February 2009, and he also serves as a director of China Securities Futures. Mr. Zhou currently also serves as a member of the Financing Business Committee of the Securities Association of China.</p> <p>Mr. Zhou served as the assistant director of the application software chamber of Institute of Computer Technology of East China, the deputy director of computer center, director of the research and development center of Shanghai Wanguo Holdings Ltd., the chief engineer and the general manager of the E-commerce department of Huaxia Securities Co., Ltd., deputy general manager, chairman of Brokerage Business Management Committee, Chief Risk Officer and Chief Compliance Officer of the Company.</p> <p>Mr. Zhou obtained a Bachelor of Science degree and a Master of Science degree from Fudan University. He obtained his MBA degree from CEIBS and a certificate of senior engineer.</p>
Mr. JIANG Yueqin	<p>Mr. JIANG Yueqin (蔣月勤) is a member of the Party committee and a member of the Executive Committee of the Company. Mr. Jiang joined our Company in January 2007 and has been serving as a member of the Executive Committee since May 2009. Mr. Jiang also serves as a vice chairman of the AMAC and a member of the asset management business committee of the Securities Association of China.</p> <p>Mr. Jiang served as a programmer of Shenzhen Shekou Xinxin Software Company, the deputy general manager of Shenzhen branch, and general manager of trading department and chief dealer of CITIC Securities Co., Ltd., the general manager of Changsheng Fund Management Co., Ltd., the assistant to general manager, administrative head of Institutional Business Department and administrative head of Asset Management Department of our Company, and the chairman of the board of director of China Securities Funds.</p> <p>Mr. Jiang obtained a Bachelor of Engineering degree and a Master of Engineering degree from University of Electronic Science and Technology in the PRC</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
LI Tiesheng	<p>Mr. LI Tiesheng (李鐵生) is a member of the Executive Committee of the Company. Mr. Li joined our Company in June 2013 and has been serving as a member of the Executive Committee since June 2013 and a director of China Securities Investment.</p> <p>Mr. Li served as the business manager of the securities department and the futures department as well as the general manager of Shenzhen Zhongbaoxin Financial Consultant Co. Ltd in China People's Insurance Trust and Investment Company, the deputy manager of Hong Kong Jiangnan Finance Company Limited, deputy director of Great Wall Securities Co., Ltd., general manager of New Jiangnan Investment Company Limited, a member of party committee and the vice-president of Beijing Branch of China Merchants Bank Co., Ltd.</p> <p>Mr. Li obtained a bachelor's degree in engineering from Beijing Institute of Technology and a master's degree in economics from Renmin University of China.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
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WANG Guangxue **Mr. WANG Guangxue (王廣學)**, is a member of the Executive Committee, the Secretary of the Board and the Administrative Head of the Executive Office of the Company. Mr. Wang joined our Company in November 2005 and has been serving as the Administrative Head of the Executive Office of our Company since November 2011. He has been serving as a member of the Executive Committee and the Secretary of the Board since January and April 2014, respectively. He has also been serving as the chairman of China Securities Futures and director of China Securities International. At present, Mr. Wang also served as a member of the Securities Industry Cultural Construction Committee of China Securities Association, a member of the Council of China Futures Association and a member of the Cultural Construction Committee of China Futures Association.

Mr. Wang served as a staff of the foreign economic relations department of planning committee of Liyang City, Jiangsu Province (now known as the development and reform commission of Liyang City); the business manager, senior business director and assistant to general manager of the investment banking department of Huaxia Securities co., Ltd.; and the assistant to general manager and deputy general manager of the Investment Banking Department of our Company.

Mr. Wang obtained a Bachelor of Science degree from Qingdao Ocean University (currently known as Ocean University of China), a Master of Economics degree and a Doctor of Economics degree from Fudan University, and obtained a certificate of sponsor representative of A Shares and the title of senior economist.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
ZHANG Xinfan	<p>Mr. ZHANG Xinfan (張昕帆), is a member of the Executive Committee, Chairman of the Brokerage Business Management Committee and the Co-Chairman of the Institutional Business Committee of the Company. Mr. Zhang joined our Company in November 2005 and has been serving as a member of the Executive Committee since January 2014 and the Chairman of the Brokerage Business Management Committee since April 2014. Mr. Zhang has been serving as the Co-Chairman of the Institutional Business Committee since September 2018 and also a director of China Securities Futures.</p> <p>Mr. Zhang served as the director of securities branch of Dalian Branch of Industrial and Commercial Bank of China; the manager of Dalian securities branch, the deputy general manager of Shenyang branch and the deputy general manager of the corporate brokerage business management head office of Huaxia Securities Co., Ltd.; and the deputy general manager of the Brokerage Business Management Department, the manager of the securities branch of Beijing Dongzhimen South Street and the vice-chairman of the Brokerage Business Management Committee of our Company.</p> <p>Mr. Zhang obtained a Bachelor's degree in Economics from Dongbei University of Finance and Economics, a Master's degree in Business Administration from Peking University and has the title of senior economist.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
LIU Naisheng	<p>Mr. LIU Naisheng (劉乃生), is a member of the Executive Committee, the Chairman of the Investment Banking Business Management Committee of the Company. Mr. Liu joined our Company in March 2006. He has been serving as a member of the Executive Committee since January 2014 and the Chairman of the Investment Banking Department since January 2021. He has also been serving as a director of China Securities International and director of Beijing Equity Trading Center. Mr. Liu currently also serves as the vice chairman of Investment Banking Committee of the Securities Association of China, vice chairman of Investment Banking Quality Control Committee of Beijing Securities Association, member of the SSE Sci-Tech Board and vice chairman of the listing training committee of SZSE.</p> <p>Mr. Liu worked in China Xinxing Corporation (Group), China Science and Technology International Trust and Investment Co., Ltd. and China Science and technology Securities Co., Ltd. and served as the administrative head of the Investment Banking Department and director of the Investment Banking Business Committee of the Company.</p> <p>Mr. Liu obtained a Bachelor of Engineering degree from Beijing Institute of Machinery (currently known as Beijing Information Science & Technology University) and obtained an MBA degree from Tsinghua University, and has the qualification of sponsor representative of A Shares.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
HUANG Ling	<p>Mr. HUANG Ling (黃凌), is a member of the Executive Committee, Chairman of the Institutional Business Committee and Co-Chairman of the Investment Banking Business Management Committee of the Company. Mr. Huang joined our Company in November 2005 and has been serving as a member of the Executive Committee from January 2014, Chairman of the Institutional Business Committee from September 2018, Co-Chairman of the Investment Banking Business Management Committee from January 2021. Mr. Huang has also been serving as the vice chairman of the Green Development Committee of Securities Association of China, the vice chairman of the Bond Development Committee of the Council of SSE, and a member of the Asset Management Business Committee of Beijing Securities Association.</p> <p>Mr. Huang served as a senior business director of the administration department of Huaxia Securities Co., Ltd., the assistant to the general manager of the debt business department, administrative head of the Debt Underwriting Department, and the Co-Director of the Investment Banking Committee of the Company.</p> <p>Mr. Huang obtained a Bachelor's degree in economics from China Institute of Finance, a Master's degree in economics from the Graduate School of the PBOC (currently known as PBC School of Finance, Tsinghua University), and a Ph.D. in economics from Hunan University. He has the title of senior economist.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
DING Jianqiang	<p>Mr. DING Jianqiang (丁建強), is a member of Executive Committee, Chief Compliance Officer and administrative head of the Legal and Compliance Department of the Company. Mr. Ding joined our Company in November 2005, and has been serving as the administrative head of the Legal and Compliance Department since January 2007, member of Executive Committee since April 2019, and the Chief Compliance Officer since May 2019. Mr. Ding also serves as a director of China Securities Funds, a director of China Securities Investment. Mr. Ding also serves as a member of Securities Compliance Committee of Securities Association of China (中國證券業協會), a member of Securities Compliance Committee of Securities Association of Beijing.</p> <p>Mr. Ding previously served as an assistant to the general manager of Legal Affairs Department of Huaxia Securities Co., Ltd., the assistant to the general manager of the Legal and Compliance Department and the Chief Lawyer of the Company.</p> <p>Mr. Ding obtained a Bachelor's Degree in law from China University of Political Science and Law, and obtained professional qualification as a lawyer.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
LU Ya	<p>Ms. LU Ya (陸亞), is a member of Executive Committee, Chief Risk Officer and Administrative Head of the Risk Management Department of the Company. Ms. Lu joined our Company in November 2005, and has been serving as an Administrative Head of the Risk Management Department since January 2008, a member of Executive Committee, Chief Risk Officer since April 2019, a supervisor of China Securities Capital and chairperson of supervisory committee of China Securities Funds. Ms. Lu currently also serves as the vice chairperson of Risk Control Committee of Securities Association of China, and the vice chairperson of Risk Control Committee of Securities Association of Beijing,</p> <p>Ms. Lu worked in Renmin University of China, served as the accounting head of the securities department of Beijing Real Estate Trust and Investment Company, the analyst of the research and development department of China Securities Market Research and Design Centre, the Certified Public Accountant of Beijing Jing Du Certified Public Accountants, the senior auditor of the audit department, the head of the securities investment department and the assistant general manager of the risk management department of Huaxia Securities Co., Ltd. (華夏證券股份有限公司), and the assistant to general manager, an employee representative Supervisor, the Risk Management Department of the Company.</p> <p>Ms. Lu obtained a Bachelor's degree in Economics and a Master's degree in Economics from the School of Accounting of Renmin University. She was qualified as a Certified Public Accountant and obtained a certificate of senior accountant.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
XIAO Gang	<p>Mr. XIAO Gang (肖鋼), is a member of Executive Committee of the Company, Chief Information Officer and administrative head of the IT Department. Mr. Xiao joined our Company in November 2005 and has been serving as the administrative head of the IT Department since August 2012; and a member of Executive Committee, the Chief Information Officer since April 2019. Mr. Xiao currently served as a member of Information Technology Committee of China Securities Industry Association; the Chairman of the Fintech and Information Technology Committee of Beijing Securities Association, and an expert in Fintech Research and Development Center (Shenzhen) of Securities and Futures Industry of Shenzhen Stock Exchange.</p> <p>Mr. Xiao worked in Beijing Kangtaike Electronic Technology Co., Ltd. (北京康泰克電子技術有限公司), and served as a senior engineer of Computer Center of Huaxia Securities Co., Ltd., a senior engineer and deputy general manager of IT Department of the Company.</p> <p>Mr. Xiao obtained a Bachelor's degree in Computer Application from Beijing Union University and has the professional qualification as an engineer.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Name	Main professional experience
PENG Wende	<p>Mr. PENG Wende (彭文德), is a member of the Executive Committee of the Company. Mr. Peng joined our Company in November 2005 and has been serving as a member of the Executive Committee of the Company since July 2019. He has also been serving as a director, general manager and director of the executive committee of China Securities International. Mr. Peng is also a member of the International Strategy Committee of the China Securities Association and the director of the Hong Kong Chinese Enterprises Association.</p> <p>Mr. Peng served as the head of Engineering Department of Xinda Industrial Co., Ltd. (鑫達實業有限公司), the deputy general manager of Guangzhou Branch of Huaxia Securities Co., Ltd., the general manager of Beijing Sanlihe Securities Sales Department, the general manager of Chongqing Branch, the general manager of Southwest Management Headquarters of the Company and the chairman of China Securities Futures.</p> <p>Mr. Peng obtained a Bachelor's degree in Engineering from Huazhong University of Science and Technology, a Master's degree in Management Engineering from South China University of Technology, and a Doctoral Degree in Enterprise Management from Sun Yatsen University.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

II. POSITIONS HELD BY CURRENT AND FORMER DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHAREHOLDERS DURING THE REPORTING PERIOD

(I) Positions in the Shareholders

Name	Shareholder	Main position	Commencement date of term of office	Expiry date of term of office
ZHU Jia	Beijing Financial Holdings Group	Assistant General Manager of the Investment and Management Department	April 2019	Until expiry
WANG Xiaolin	Central Huijin	Finance Department	June 2018	Until expiry
ZHANG Wei	Central Huijin	Leading Group Office of directly managed enterprises / Equity Management Department II	March 2020	Until expiry
YANG Dong	Central Huijin	Dispatched Director	October 2021	Until expiry
AI Bo	CIC	Director of the Inspection Office of the Party Committee	June 2020	Until expiry
ZHAO Lijun	CIC	Deputy Director of Working Group for Party Construction/Party Committee Office/ Corporate Culture Department	August 2019	Until expiry
WANG Hao (Retired)	Central Huijin	Specially Dispatched Director	July 2018	Until expiry

Explanations on positions in the Shareholders Nil

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

(II) Positions in Other Entities

Name	Shareholder	Position	Commencement date of term of office	Expiry date of term of office
YU Zhongfu	BSCOMC	Deputy General Manager	May 2009	Until expiry
ZHANG Qin	BSCOMC	Assistant to General Manager	July 2016	Until expiry
WANG Hua	CITIC Group	Finance Department	October 2020	Until expiry
DAI Deming	Business School of Renmin University of China	Professor and Doctoral Supervisor	July 1996/ January 1997	Until expiry
LIU Qiao	Guanghua School of Management of Peking University	Professor, Doctoral Supervisor and Dean	December 2010	Until expiry
LAI Guanrong	Beijing Zhong Guan Cun City Construction Holding Co., Ltd.	Chairman of the Board of Supervisors	December 2015	Until expiry
FENG Genfu (Resigned)	School of Economics and Finance, Xi'an Jiaotong University	Professor and Doctoral Supervisor	May 2000	Until expiry
ZHU Shengqin (Resigned)	Beijing Huiyuan Holdings Limited	Vice Chairman	August 2016	Until expiry

Explanations on positions in other units

Mr. BAI Jianjun and Mr. PO Wai Kwong only serve as independent non-executive directors or external supervisors in other units. For details of employment, please refer to the biographical details.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Positions	Changes	Reason
ZHANG Wei	Non-executive Director	Elected	Supplemented
YANG Dong	Non-executive Director	Elected	Supplemented
WANG Hua	Non-executive Director	Elected	Supplemented
PO Wai Kwong	Independent non-executive Director	Elected	Supplemented
LAI Guanrong	Independent non-executive Director	Elected	Supplemented
ZHOU Xiaoyu	Chairman of the Board of Supervisors	Elected	Supplemented
WANG Hao	Non-executive Director	Resigned	Work adjustment
FENG Genfu	Independent non-executive Director	Resigned	Expiration of term of office
ZHU Shengqin	Independent non-executive Director	Resigned	Expiration of term of office
YUAN Jianmin	Member of Executive Committee	Resigned	Age
ZHOU Xiaoyu	Member of Executive Committee	Resigned	Work adjustment

IV. RELATIONSHIPS AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There is no relationship among the Directors, Supervisors or senior management including relationships in terms of finance, business, family or other significant relationships.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

V. PERFORMANCE OF DUTIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Performance of Duties of Directors and Supervisors

In 2021, the Directors of the Company strictly complied with domestic and overseas laws and regulations, regulatory requirements and the Articles of Association and diligently and responsibly performed their responsibilities and obligations in reviewing the issues of the Board and Board Committees, provided valuable opinions and recommendations on strategic and development planning, corporate governance, business development, risk management and compliance management and other aspects, safeguarded the interests of Shareholders and promoted sustainable and healthy development of the Company.

During the year, the executive Directors earnestly performed their dual duties in decision making and execution, actively implemented the resolutions of Shareholders' general meetings and Board meetings, and conducted in-depth study of the development and operating strategies of the Company to boost its outstanding operating results. The non-executive Directors attended the meetings of the Board and Board Committees pursuant to the requirements and made scientific and prudent decisions by considering meeting documents, receiving special reports, conducting research and analysis, and reviewing reports on the Company's operation to keep abreast of the Company's operational status. The independent non-executive Directors consistently expressed their personal opinions in an independent and objective manner, offered advice and recommendations on the Company's development based on their professional strengths, and faithfully performed their duties so as to safeguard the interests of the Company and its Shareholders, especially the legitimate interests of minority Shareholders.

In 2021, the Supervisors of the Company strictly complied with the requirements of the Company Law and the Company's Articles of Association, earnestly performed their duties of supervision, participated in the approval of significant decisions of the Company, regularly investigated the operating status of the Company and its business operations, and effectively supervised the performance of duties by the Directors and the executive management of the Company, so as to actively safeguard the interests of Shareholders.

Details of the performance of duties of Directors and Supervisors have been set forth in the "Section 9 Corporate Governance Report – IV. Directors and Board of Directors" and "– VI. Supervisors and the Supervisory Committee" section of this annual report.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

(II) Performance of Duties of Senior Management

In 2021, the executive management of the Company comprehensively implemented all resolutions and requirements of the Board. In accordance with industry trends and changes in operating environment, the executive management proposed a strategy of balanced development of light and heavy asset businesses, online and offline businesses, domestic and overseas businesses, as well as conventional and innovative businesses to continue to utilize the synergy among businesses and further strengthen the business layout. They proactively made suggestions for improvement and optimization in relation to certain major issues affecting the development of the Company, eventually achieving positive results.

Given a complicated and dynamic market environment, the executive management of the Company has continuously optimized its internal control system and risk management mechanism to raise the compliance level of risk control, while ensuring the seizing of opportunities and promoting innovation in compliance with laws and regulations. The Company was rated “Class A Grade AA” security firm for twelve consecutive years.

The executive management of the Company played an important role in achieving satisfactory operating results despite a severe market environment and intense competition in the industry, and accomplished the mission of operation and management assigned to it by the Board.

VI. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures in relation to remuneration of Directors, Supervisors and senior management

The Board of the Company established the Remuneration and Nomination Committee, which is responsible for formulating and reviewing the remuneration policies and plans for Directors and senior management of the Company. The Remuneration and Nomination Committee conducts proceedings and makes decisions in accordance with the Articles of Association and the “Rules of Procedures of Remuneration and Nomination Committee of the Board of the Company”. In addition, the Company also formulated the “Management Measures of Remuneration in the Headquarter of the Company” (《公司總部薪酬管理辦法》) and the “Management Measures of Remuneration of Staff in Brokerage Business System of the Company” (《公司經紀業務系統員工薪酬激勵辦法》) to serve as the basic remuneration policy of the Company so as to regulate procedures such as decision-making of remuneration. Currently, Independent Non-Executive Directors of the Company receive allowance from the Company with reference to industry practice, while other Non-Executive Directors and external Supervisors do not receive

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

remuneration from the Company; the remuneration of executive Directors, internal Supervisors and senior management of the Company is determined according to the remuneration evaluation system of the Company.

Basis for determination of the remuneration of Directors, Supervisors and senior management

It is determined with reference to the standards of similar companies in financial industry and is dependent on their positions and performance in combination of the Company's actual situation.

Actual payment of the remuneration of Directors, Supervisors and senior management

As stipulated in the Administrative Measures on Loyalty Awards (《公司忠誠獎管理辦法》) approved by the Board, the loyalty awards allocated to qualified employees (including Directors, Supervisors and senior management personnel) shall be distributed at least three years of lockup after the distribution year. According to such administrative measures, the amount of loyalty award after tax for Directors, Supervisors and senior management personnel for the year of 2017 was distributed in 2021: RMB1.8134 million to WANG Changqing; RMB1.5119 million to ZHOU Xiaoyu; RMB0.8800 million to LIN Xuan; RMB0.7921 million to ZHAO Ming; RMB1.7050 million to ZHOU Zhigang; RMB1.7050 million to JIANG Yueqin; RMB1.5400 million to LI Yunan; RMB0.5500 million to LI Tiesheng; RMB2.9700 million to WANG Guangxue; RMB2.3749 million to ZHANG Xinfan; RMB4.0144 million to LIU Naisheng; RMB3.2994 million to HUANG Ling; RMB0.9910 million to DING Jianqiang; RMB0.7097 million to LU Ya; RMB0.4125 million to XIAO Gang; RMB1.9304 million to PENG Wende; RMB1.4465 million to YUAN Jianmin.

Aggregate remuneration received by all Directors, Supervisors and senior management as of the end of the Reporting Period

Please refer to the relevant contents in the notes to the consolidated financial statements.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

VII. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

As of the end of the Reporting Period, the Group had 11,778 employees (including labor outsourcing personnel), specific composition of which is as follows:

(I) Employees

Number of incumbent employees of the parent company	10,659
Number of incumbent employees of major subsidiaries	1,119
Total number of incumbent employees	11,778
Number of resigned and retired employees for whom the parent company and major subsidiaries undertook costs	278

Professional Structure

Items	Number of employees
Business personnel	9,049
Information technology personnel	1,109
Financial personnel	302
Administration personnel	100
Others	1,218
Total	11,778

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

Education Level

Education level	Number of employees (person)
Doctorate degree	96
Master's degree	4,816
Bachelor's degree	5,165
College or below	1,701
Total	<u>11,778</u>

(II) Remuneration Policies

The Company established a sound human resources management system in compliance with the requirements of the PRC's laws in relation to labor contracts and labor protections, formulated various rules and policies in relation to remuneration, position and grade, performance assessments, benefits and holidays, etc., and stringently implemented such policies. The Company effectively protected the staff's interest in various aspects such as labor protection, working environment, payment of wages, social insurance, healthcare and vacation. The Company carried through the principle of marketization to determine the remuneration standard. Remuneration for employees includes fixed salary, performance-related bonuses and insurance benefits. Fixed salary is determined according to the position and grade, and the standard of position and grade integrates the factors of qualification, capability, professional knowledge and experience of employees, while performance-related bonuses are associated with the completion of results and assessment results in the corresponding year. The total amount of annual bonuses is deducted from total amount of profit in accordance with the ratio determined by the Board. The Company established a comprehensive benefit protection system, and the statutory benefits are paid in accordance with the rules and standards as stipulated by the PRC government. Benefits of the Company covered various aspects, including replenishment of medical insurance, enterprise annuity, paid leave and medical examination.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

(III) Training Program

The Company continues to promote and implement staff training and training system with “comprehensive layout, overall planning, implementation by levels and clear purposes”, constantly improves its multi-level training system which focuses on the “ladder of training for the growth of employees” and emphasizes on strengthening the development of a team with talents. Through the combination of face-to-face teaching, live teaching and online learning, supplemented by the digital learning platform of E-learning and its mobile terminal as carriers, the Company creates room for learning and growth for the majority of cadres and employees and comprehensively improves the management skills, professional skills and professionalism of the employees to ensure the scope and depth of training coverage.

1. The Company focused on the training of senior managers on strategic awareness and leadership, broadened their innovative idea and international view, improved their reform management capability, strategic implementation capability, executive management capability, business synergy capability and risk prevention capability, and nurtured quality leaders for enterprise operation and management.
2. The Company focused on the training of middle and grass-roots managers on management, strived to improve their knowledge and skill on operation and management, and strived to improve team implementation capability, business development capability as well as basic management capability.
3. The Company focused on the training of talents of outstanding young cadres by enhancing integrated training on team management, framework thinking and problem solving ability as well as improving their management awareness and level.
4. The Company strengthened the key training of professionals in the fields of investment research, financial technology, internationalization, key account managers and investment banking project management, and promoted the core competitiveness in the professional field.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (Continued)

- 5) The Company popularised vocational training and common skills training for employees at the basic level, strengthened the promotion of values for the integration of its financial industry culture and corporate culture, constantly strengthened the general education of professional compliance, system procedures and information security, and enhanced their comprehensive capability on communication and presentation, customer service, team coordination and office operation.
- 6) The Company attached high importance to recruitment at university campuses, and commenced a series of enrollment and trainee cultivation program to recruit outstanding graduates and students with working and placement opportunities. As of the end of the reporting period, the Company provided over 3,000 internship positions for the oncampus students, and hired 796 new graduates. The Company provided an approximately 65-hour online orientation in total for new staff members of headquarters and branches. In addition, the Company organized concentrated training for new entrants in headquarters and branches complying with the epidemic prevention and control.

(IV) Information of Securities Brokers

As of the end of 2021, a total of 108 securities branches of the Company implemented the system of securities brokers. There were a total of 463 brokers who obtained professional brokerage qualifications as reviewed and approved by the Securities Association of China.

SECTION 9 CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF CORPORATE GOVERNANCE

As a public company listed in both mainland China and Hong Kong, the Company has strictly complied with the requirements of laws and regulations and normative documents of the domestic and overseas listing places, standardized its operation, and continuously strived to maintain and enhance positive market image of the Company. The Company has established a solid and comprehensive corporate governance structure comprising the general meeting, the Board, the Supervisory Committee and the Executive Committee of the Company, and formed a complete corporate governance system in standard operation covering consideration, resolution, mandate and execution with clearly defined responsibilities among the organ of power, the decision-making body, the supervision body and the operation and management.

In accordance with the provisions of laws and regulations and regulatory documents, the Company as formulated relevant corporate governance systems, including the Articles of Association, the Rules of Procedures for Shareholders' General Meeting of the Company, the Rules of Procedures or Board Meetings of the Company and the Rules of Procedures for Supervisory Committee of the Company and Rules of Procedures for Executive Committee of the Company. Such systems defined the scope of responsibilities and working procedures of the general meeting, the Board, the Supervisory Committee, and the Executive Committee and provided an institutional guarantee to the standard operation of the Company. In addition, the Board established the Development Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee, and also developed rules of procedures for these committees and clearly defined the working responsibilities, rules of procedures and working system of each special committee to give full play to their functions.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

During the Reporting Period, the Company has strictly complied with the requirements of the corporate governance system to ensure the legality and compliance of the convening, holding and voting procedures of the shareholders' general meetings, the Board of Directors and the Supervisory Committee, ensuring timely and fair information disclosure, and guaranteeing the truthfulness, accuracy and completeness of the information disclosed, to attach importance to the protection of the rights and interests of investors, and strive to provide comprehensive and effective investor relations services.

II. DEALING IN SECURITIES BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") in respect of the securities transactions entered into by the Directors and Supervisors. The Company has made specific inquiries to all Directors and Supervisors on any incompliance with the Model Code. All the Directors and Supervisors have confirmed that they have completely complied with the provisions and standards of the Model Code during the Reporting Period and up to the date of this annual report.

III. SHAREHOLDERS AND GENERAL MEETINGS

(I) Rights of Shareholders' General Meetings and Shareholders

The Shareholders' general meeting is the body exercising the authority of the Company and shall exercise the duties and powers in accordance with the law, the Articles of Association and the Rules of Procedures for Shareholders' General Meeting of the Company. The Company convened the Shareholders' general meetings in strict compliance with the relevant rules and procedures such that all Shareholders are treated equally and can fully exercise their rights. During the Reporting Period, the Company convened five general meetings to engage in dialogue with the Shareholders so as to understand their concerns, suggestions and opinions regarding the Company's development.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(II) Overview of General Meetings

During the Reporting Period, the Company convened five Shareholders' general meetings, the details and resolutions of which are as follows:

Session	Date of convening	Query index of the designated website for publishing resolutions	Date of disclosure for publishing resolutions
2021 First Extraordinary General Meeting	March 19, 2021	www.sse.com.cn www.hkexnews.hk www.csc108.com	March 20, 2021
2021 Second Extraordinary General Meeting	May 14, 2021	www.sse.com.cn www.hkexnews.hk www.csc108.com	May 15, 2021
2020 Annual General Meeting	June 29, 2021	www.sse.com.cn www.hkexnews.hk www.csc108.com	June 30, 2021
2021 Third Extraordinary General Meeting	August 17, 2021	www.sse.com.cn www.hkexnews.hk www.csc108.com	August 18, 2021
2021 Fourth Extraordinary General Meeting	October 20, 2021	www.sse.com.cn www.hkexnews.hk www.csc108.com	October 21, 2021

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

On March 19, 2021, the Resolution on Change of the Company's Registered Capital and the Resolution on Amendments to the Articles of Association and Rules of Procedures for Shareholders General Meetings were considered and approved at the 2021 first extraordinary general meeting.

On May 14, 2021, the Resolution on Election of Mr. Po Wai Kwong as an Independent Non-Executive Director of the Company, Resolution on Election of Mr. Lai Guanrong as an Independent Non-Executive Director of the Company, Resolution on Establishment of an Asset Management Subsidiary, Resolution on the Provision of Net Capital Guarantee Commitment for the Asset Management Subsidiary, Resolution on Change of Business Scope of the Company and Resolution on Amendments to the Articles of Association were considered and approved at the 2021 second extraordinary general meeting.

On June 29, 2021, the Resolution on the 2020 Work Report of the Board of Directors of the Company, the Resolution on the 2020 Work Report of the Supervisory Committee of the Company, the Resolution on the 2020 Final Financial Accounts Plan of the Company, the Resolution on the Profit Distribution of the Company in 2020, the Resolution on the 2020 Annual Report of the Company, the Resolution on the Election of Ms. Zhang Wei as a Director of the Company, the Resolution on the Election of Ms. Wang Hua as a Director of the Company, the Resolution on the Amendments to the Articles of Association of the Company, the Resolution on the Cap on Investment Amount for Proprietary Business of the Company in 2021, the Resolution on the Expected Daily Related Party Transactions of the Company in 2021, and the Resolution on the Re-appointment of 2021 Accounting Firms of the Company were considered and approved, and the Report of the Independent Non-Executive Directors of the Company for 2020 was reviewed at the 2020 annual general meeting.

On August 17, 2021, the Resolution on Election of Mr. Zhou Xiaoyu as a Supervisor of the Company was considered and approved at the 2021 third extraordinary general meeting.

On October 20, 2021, the Resolution on Election of Mr. Yang Dong as a Director of the Company was considered and approved at the 2021 fourth extraordinary general meeting.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(III) Attendances of Shareholders' General Meetings by Directors of the Company

Name of Director	Attendances of Shareholders' General Meetings	
	Required attendance	Actual attendance
WANG Changqing		5/5
YU Zhongfu		5/5
WANG Xiaolin		5/5
LI Geping		5/5
ZHANG Qin		5/5
ZHU Jia		5/5
ZHANG Wei		2/2
YANG Dong		0/0
WANG Hua		2/2
DAI Deming		5/5
BAI Jianjun		5/5
LIU Qiao		5/5
PO Wai Kwong		3/3
LAI Guanrong		3/3
WANG Hao (Resigned)		4/4
FENG Genfu		2/2
(Resigned)		
ZHU Shengqin		2/2
(Resigned)		
Shareholders' general meetings convened during the year		5

Note: "attendances" includes on-site attendance and communication attendance. "Attendances of Shareholders' General Meetings" shall be listed in the form of "actual attendance / required attendance".

IV. BOARD AND BOARD MEETINGS

(I) Composition of the Board

The Company has a Board which is accountable to the Shareholders' general meeting. In accordance with the provisions of the Articles of Association, the Board consists of 14 members, five of whom are Independent Non-executive Directors and the number of internal Directors in the Board shall not exceed one-half of the total number of Directors. The Board shall have one chairman and two vice chairmen who shall be elected and removed by more than one half of all the Directors. The Directors of the Company shall serve a term of three years, and are eligible for re-election upon the expiration of their term, except as otherwise provided in the relevant laws and regulations and the Articles of Association. Mr. WANG Changqing served as the Chairman of the Board. The General Manager is Mr. LI Geping, who is responsible for overseeing the day-to-day operations of the Group. The Company sets up the Executive Committee to exercise the functions and powers of operation and management.

Directors are appointed at the Shareholders' general meeting to serve a term of three years and are eligible for re-election upon the expiration of their term. Independent Non-executive Directors shall not hold office for more than six consecutive years. The Company confirms that the Company has received the annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Therefore, the Company believes that each independent non-executive Director is independent as specified in the Listing Rules. Independent non-executive Directors are able to exercise independent and objective judgments and protect the interests of minority Shareholders.

The biographies of all Directors are set out in "Section 8 Directors, Supervisors, Senior Management and Employees" in this annual report.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(II) Powers and Duties of the Board

In accordance with the Articles of Association, the Board shall exercise the following powers and duties: (1) to convene the Shareholders' general meetings and submit work report to such meetings; (2) to implement the resolutions of the Shareholders' general meetings; (3) to decide on the operation plan and investment scheme of the Company; (4) to determine the objectives of the Company's compliance management, assume responsibility for the effectiveness of compliance management of the Company and perform the corresponding duties of compliance management; (5) to prepare the draft annual budget and final accounts of the Company; (6) to prepare the profit distribution plan and the loss recovery plan of the Company; (7) to prepare the plan for the Company to increase or reduce its registered capital, issuance of corporate bonds and other securities and listing plans; (8) to prepare plans of the Company with respect to mergers, divisions, dissolution or changes of the form of the Company; (9) to prepare plans of the Company with respect to material acquisitions and acquisition of the Company shares; (10) to appoint or remove the General Manager, the Chief Compliance Officer, the Chief Risk Officer and the Secretary of the Board nominated by the Chairman of the Board and decide the remunerations and rewards and punishments thereof; to appoint or remove the Chief Financial Officer, Chief Information Officer members of the Executive Committee and other senior management members nominated by the Chairman of the Board or the General Manager, and decide the remunerations and rewards and punishments thereof; (11) to decide on the establishment of the internal management organizations of the Company; (12) to determine the composition of special committees under the Board, and the chairman (convener) of each special committee; (13) to establish a basic management system of the Company; (14) to prepare plans to amend the Articles of Association; (15) to file an application for bankruptcy on behalf of the Company; (16) to prepare plans of the Company with respect to material external investments, material assets acquisition and disposal, material guarantees and material connected transactions; (17) to consider and approve the external investment matters that do not require approval by the Shareholders' general meeting as prescribed in the Articles of Association; (18) to consider and approve the assets acquisition and disposal matters that do not require approval by the Shareholders' general meeting as prescribed in the Articles of Association; (19) to consider and approve the connected transactions that should be considered and approved by the Board pursuant to laws and regulations and the listing rules of the place where the Company shares are listed; (20) to consider and approve the external donations by the Company which accumulatively do not exceed RMB twenty five million (25,000,000) (inclusive) in one financial year; (21) to decide on the Company's external investments, acquisition and disposal of assets, pledge of assets, external guarantees, trust management and other matters within the scope of authorization by the Shareholders' general meeting; (22) to decide on mergers, divisions, establishments or revocations of domestic branches; (23) to manage the disclosure of information by the Company; (24) to propose to the Shareholders' general meeting with respect to the engagement or replacement of the audit firm of the Company; (25) to receive the work report of the General Manager of the Company and examine such work; and (26) to guide and urge the Company to strengthen cultural construction, establish and improve the cultural concept system that can effectively support the Company's strategy, and realize the integrated development of the two; (27) to exercise any other duties and powers specified in relevant laws, administrative regulations, departmental rules, normative documents, the listing rules of the place where the Company shares are listed or authorized by the Articles of Association.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(III) Operation of the Board

During the Reporting Period, the Board of the Company has strictly complied with the provisions of relevant laws and regulations, the Articles of Association and the Rules of Procedures for Board Meetings of the Company. Convening and holding procedures and voting procedures of the Board meetings have complied with the provisions of the Company Law and the Articles of Association, and all resolutions made are legal and valid.

As of the end of the Reporting Period, the Board of the Company comprised 14 Directors, including Mr. WANG Changqing, Mr. YU Zhongfu, Mr. WANG Xiaolin, Mr. LI Geping, Ms. ZHANG Qin, Ms. ZHU Jia, Ms. ZHANG Wei, Mr. YANG Dong, Ms. WANG Hua, Mr. DAI Deming, Mr. BAI Jianjun, Mr. LIU Qiao, Mr. PO Wai Kwong and Mr. LAI Guanrong. Among them, Mr. WANG Changqing was the Chairman, Mr. YU Zhongfu and Mr. WANG Xiaolin were the Vice Chairmen. Five of these 14 Directors, including Mr. DAI Deming, Mr. BAI Jianjun, Mr. LIU Qiao, Mr. PO Wai Kwong and Mr. LAI Guanrong were independent Directors. Mr. WANG Hao, resigned as non-executive Directors during the reporting period due to adjustment of his work arrangements. Mr. FENG Genfu and Ms. ZHU Shengqin resigned as independent non-executive Directors during the reporting period due to the expiry of their terms of office.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(IV) Convening of Board Meetings

In 2021, the Company convened a total of 10 Board meetings, as follows:

On January 27, 2021, the Resolution on Change of the Company's Registered Capital, the Resolution on Amendments to the Articles of Association and Rules of Procedures for Shareholders General Meetings, the Resolution on Adjustments of the Organisational Structure of the Company's Investment Banking Business, the Resolution on Adjustments of the Organisational Structure of the Branches of the Company, the Resolution on the Provision for Impairment of Assets of the Company, the Resolution on Convening the 2021 Extraordinary General Meeting were considered and approved at the twenty-ninth Meeting of the second session of the Board of Directors of the Company.

On March 31, 2021, the Resolution on the 2020 Operation Report of Operation Management of the Company, the Resolution on the Report on the 2020 Work Report of the Board of Directors of the Company, the Resolution on the Report on the 2020 Work Report of the Independent Non-executive Directors of the Company, the Resolution on the Report on the Performance of Duties by the Audit Committee of the Board of the Company for 2020, the Resolution on the 2020 Final Financial Accounts Plan of the Company, the Resolution on the Profit Distribution of the Company in 2020, the Resolution on the 2020 Annual Report and Results Announcement of the Company, the Resolution on the 2020 Annual Risk Report of the Company, the Resolution on the 2020 Compliance Report of the Company, the Resolution on the 2020 Work Report on Anti-money Laundering of the Company, the Resolution on 2020 Self-Assessment Report on Money Laundering and Terrorism Financing Risk of the Company, the Resolution on Risk Management Strategy for Money Laundering of the Company, the Resolution on the 2020 Special Report on Information Technology of the Company, the Resolution on the 2020 Internal Control Evaluation Report of the Company, the Resolution on the 2020 Social Responsibility cum the Environmental, Social and Governance Report of the Company, the Resolution on the Special Report on the Deposit and Actual Use of Raised Funds of the Company for 2020, the Resolution on the 2020 Annual Appraisal on the Chief Compliance Officer of the Company, the Resolution on the 2021 Work Plan of the Company, the Resolution on the 2021 Financial Plan of the Company, the Resolution on the 2021 Risk Management Policies of the Company, the Resolution on the Cap on Investment Amount for Proprietary Business of the Company in 2021, the Resolution on the 2021 Work Plan on Anti-money Laundering of the Company, the Resolution on the Nomination of Candidates for Independent Non-executive Directors, the Resolution on the Increase in Capital Contribution to China Securities (International) Finance Holding Company Limited, the Resolution on the Expected Related Party Transactions of the Company in 2021, the Resolution on the Re-appointment of Accounting Firm for 2021 of the Company, the Resolution on the Annual Reporting System of the Independent Directors and the Audit Committee of the Board of Directors of the Company and the Resolution on the Convening of the General Meeting of the Company and other resolutions were considered and approved at the 30th Meeting of the second session of the Board of Directors of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

On April 22, 2021, the thirty-first meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the 2021 First Quarterly Report of the Company, the Resolution on Establishing Asset Management Subsidiary and Correspondingly Changing the Company's Business Scope and Amending the Company's Articles of Association and other resolutions.

On May 26, 2021, the thirty-second meeting of the second session of the Board of the Company was convened, which considered and approved the Resolution on the Company's 14th Five-Year Plan (2021–2025), the Resolution on the Company's 14th Five-Year Plan for Digital Development (2021–2025), the Resolution on the Election of Directors of the Company, the Resolution on the Addition of Members to the Specialized Committees of the Board of Directors of the Company, the Resolution on the Management of the Company's Integrity Practices, the Resolution on the Amendments of the Articles of Association of the Company and the Resolution on the Amendments of the Rules of Procedure of the Development Strategy Committee of the Board of Directors of the Company and the Rules of Procedure of the Executive Committee of the Company and other resolutions.

On June 8, 2021, the Resolution on the Resignation of Mr. Yuan Jianmin as a Member of the Executive Committee of the Company and other resolutions were considered and approved at the thirty-third meeting of the second session of the Board of Directors of the Company.

On July 22, 2021, the Resolution on Adjustment of Members of the Specialized Committees of the Board of Directors of the Company, the Resolution on Resignation of Mr. Zhou Xiaoyu as a Member of the Executive Committee of the Company and the Resolution on Convening Extraordinary General Meeting of Shareholders of the Company and other resolutions were considered and approved at the thirty-fourth meeting of the second session of the Board of Directors of the Company.

On August 26, 2021, the Resolution on the Interim Report for 2021 (A Shares) of the Company, the Resolution on the Interim Results Announcement and Interim Report for 2021 (H Shares) of the Company, the Resolution on the Risk Report for the First Half of 2021 of the Company, the Resolution on the Interim Compliance Report for 2021 of the Company, the Resolution on the Special Report on the Deposit and Actual Use of Raised Funds of the Company for the First Half of 2021, the Resolution on the Certain Acquired Equity Interest of China Securities Funds Management Limited and the Resolution on the Establishment of Ningbo Branch and other resolutions were considered and approved at the thirty-fifth meeting of the second session of the Board of Directors of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

On September 6, 2021, the Resolution on the Adjustment to the Authorization for Consideration and Approval of External Donation by the Management for 2021 was considered and approved at the thirty-sixth meeting of the second session of the Board of Directors of the Company.

On September 23, 2021, the Resolution on the Addition of Director of the Company, the Resolution on the Amendments to the Rules of Procedure of the Executive Committee of the Company and the Resolution on the Convening of an Extraordinary General Meeting of the Company and other resolutions were considered and approved at the thirty-seventh meeting of the second session of the Board of Directors of the Company.

On October 28, 2021, the Resolution on the Third Quarterly Report of the Company for 2021 and the Resolution on the Adjustment of Members of the Specialized Committees of the Board of Directors of the Company and other resolutions were considered and approved at the thirty-eighth meeting of the second session of the Board of Directors of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(V) Attendances of Board Meetings by Directors

Name of Director	Whether Independent Non-executive Director or not	Attendances of Board Meeting				Absence	Whether the Director failed to attend two consecutive meetings in person or no
		Scheduled attendance at Board meetings held for the year	Attendance in person	Board Meetings Attendance by way of telecommunication	Attendance by proxy		
WANG Changqing	No	10	10	3	0	0	No
YU Zhongfu	No	10	10	8	0	0	No
WANG Xiaolin	No	10	10	2	0	0	No
LI Geping	No	10	10	3	0	0	No
ZHANG Qin	No	10	10	10	0	0	No
ZHU Jia	No	10	10	5	0	0	No
ZHANG Wei	No	5	5	3	0	0	No
YANG Dong	No	1	1	0	0	0	No
WANG Hua	No	5	5	4	0	0	No
DAI Deming	Yes	10	10	10	0	0	No
BAI Jianjun	Yes	10	10	9	0	0	No
LIU Qiao	Yes	10	10	10	0	0	No
Po Wai Kwong	Yes	7	7	7	0	0	No
LAI Guanrong	Yes	7	7	6	0	0	No
Wang Hao (Resigned)	No	8	7	5	1	0	No
FENG Genfu (Resigned)	Yes	2	2	2	0	0	No
ZHU Shengqin (Resigned)	Yes	2	2	2	0	0	No
Board meetings convened during the year							10
Including: on-site meetings							8
Meetings convened by way of telecommunication							2
On-site meetings with telecommunication							8

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(VI) Training of Directors and Supervisors

The Company constantly followed up the training demands of each Director and Supervisor and assisted them in receiving continuous training and understanding the requirement of relevant laws and regulations and regulatory rules by fully leveraging the training platforms of regulatory authorities and self-regulatory organizations. In 2021, each of the Directors and Supervisors of the Company have received the training, including but not limited to the interpretation of laws and regulations and policies such as new regulations on delisting of listed companies in the Amendment (XI) to the Criminal Law, and mergers and acquisitions and restructuring of listed companies, training on the responsibility of directors and supervisors and clean practices, analysis of experience in investor relations management of outstanding listed companies, analysis of key issues in the preparation, audit and disclosure of annual reports of listed companies, etc. Moreover, they have also received the training of obligations and responsibility of the Directors and Supervisors, disclosable transactions in relation to compliance operation of H-share listed companies. During the Reporting Period, the training of Directors and Supervisors of the Company met the requirements of regulatory authorities and Stock Exchanges.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

During the Reporting Period and up to the date of this report, the record of continuous professional development training relating to duties as well as regulatory and business development that have been received by the Directors is summarized as follows:

Directors	Type of training <i>(note)</i>
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Executive Directors

Mr. WANG Changqing	A/B
Mr. LI Geping	A/B

Non-executive Directors

Mr. YU Zhongfu	A/B
Mr. WANG Xiaolin	A/B
Ms. ZHANG Qin	A/B
Ms. ZHU Jia	A/B
Ms. ZHANG Wei	A/B
Mr. YANG Dong	A/B
Ms. WANG Hua	A/B

Independent Non-Executive Directors

Mr. DAI Deming	A/B
Mr. BAI Jianjun	A/B
Mr. LIU Qiao	A/B
Mr. PO Wai Kwong	A/B
Mr. LAI Guanrong	A/B

Note:

Types of Training

- A: Attending training sessions, including but not limited to regulatory training, seminars, conference and workshops.
- B: Reading relevant newsletter, newspapers, periodicals, magazines and relevant publications.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(VII) Board Diversity Policy

The Remuneration and Nomination Committee has adopted a board diversity policy concerning the diversity of Board members (the “Board Diversity Policy”) pursuant to paragraph A.5.6 of the Corporate Governance Code. The Company regards the increasing of diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. In designing the composition of the Board, diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience and other factors. All appointments of the Board will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, the ultimate decision will be based on merit and contribution that the selected candidates can make to the Board. The composition of the Board will be disclosed in the Corporate Governance Report annually.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(VIII) Directors Nomination Policy

Article 140 of the Articles of Association specifies the methods and procedures to nominate Directors: (1) the candidates for Directors may be nominated by the Board of Directors based on the number of Directors to be elected subject to the number specified by the Articles of Association; (2) shareholder(s) individually or jointly holding three per cent (3%) or more of the shares of the Company may nominate the candidates for Directors, but the number of persons nominated shall comply with the provisions of the Articles of Association and shall not exceed the number of persons to be elected; (3) before the convening of general meeting of the Company, candidates for Directors shall make written commitments stating their acceptance of the nomination, confirming that the information of candidates for Directors is true and complete, and undertaking to faithfully perform the duties of Directors if elected; (4) the written notices of the intention to nominate a candidate for election as a Director and the acceptance of nomination by such candidate, shall be given to the Company no less than seven (7) days prior to the date of convening the general meeting; (5) the period given by the Company to relevant nominators and nominees to submit the aforesaid notices and documents (which period shall commence from the day following the date of despatch of the notice of general meeting) shall be no less than seven (7) days. Also, Article 141 of the Articles of Association specifies: Independent Directors refer to the Directors who do not hold any other positions in the Company (other than as a Director of the Company), and are not related to the Company and its shareholders in a way that may hinder their independent and objective judgment, and comply with the independent requirements under the listing rules of the place where the Company shares are listed. The Company's Board of Directors shall include Independent Directors. There shall be no less than three (3) Independent Directors and they shall constitute no less than one-third (1/3) of the Board of Directors. At least one Independent Director shall possess the appropriate professional qualifications or have appropriate accounting or related financial management expertise and one Independent Director shall reside in Hong Kong. Apart from the qualifications and obligations of Directors provided in the relevant provisions in Section 1 of Chapter 6 of the Articles of Association, an Independent Director shall also meet the following requirements: shall have five (5) years or more of experience in the work of securities, finance, law or accounting; shall have a university diploma at or above the undergraduate level, and a bachelor's degree or higher degree; shall have the time and capacity necessary for the performance of his/her duties as an Independent Director; shall have the basic knowledge of the operation of a financial institution and be familiar with the relevant laws and regulations and rules, and with a good reputation; shall meet the independence requirements provided in the relevant provisions required by the Securities Regulatory Authorities of the State Council and the securities regulatory rules of the place where the Company's shares are listed.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

The Remuneration and Nomination Committee will consider the following factors when evaluating candidates for Director: including but not limited to personal reputation; achievements and experience in the financial services industry, especially the securities industry; time available; diversity in all aspects of the Board, including but not limited to regulatory requirements, gender, age, cultural and educational background, work experience, professional experience and years of service.

V. BOARD COMMITTEES UNDER THE BOARD OF THE COMPANY

(I) Development Strategy Committee

1. *Duties of the Committee*

The Development Strategy Committee is responsible for researching and forecasting the Company's long-term development strategy and establishing the Company's development strategy plans. As of the end of the reporting period, the Development Strategy Committee comprises eight Directors, namely Mr. WANG Changqing, Mr. YU Zhongfu, Mr. WANG Xiaolin, Mr. LI Geping, Ms. ZHU Jia, Mr. YANG Dong, Ms. WANG Hua and Mr. LAI Guanrong. Mr. WANG Changqing is the current Chairman of the Development Strategy Committee.

As specified in the Articles of Association, the primary duties of the Development Strategy Committee include, but are not limited to, the following: (1) understanding and mastering the overall operations of the Company; (2) understanding, analyzing and mastering the current conditions of international and domestic markets; (3) understanding and mastering relevant policies of the State; (4) understanding the cultural construction of the Company, evaluating the operation status of the Company's cultural concept and strategy integration development mechanism, and improving the compatibility between the Company's culture and development strategy; (5) studying the short, medium and long-term development strategies of the Company or the relevant issues; (6) providing consultancy advice on the Company's major decisions on long-term development strategy and major investments, reform etc.; (7) reviewing and approving research reports on development strategies; (8) issuing routine research reports regularly or from time to time; and (9) performing such other duties determined by the Board and required by the listing rules or regulatory requirement of the place where the Shares of the Company are listed.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

2. *Work Summaries and Meetings of the Committee*

During the Reporting Period, the Development Strategy Committee has convened five meetings. Details of the meeting of the Development Strategy Committee are set out below:

Date of meeting	Subject Matters
March 30, 2021	Considered the Resolution on the 2020 Operation Management Report by the Management of the Company, the Resolution on the 2021 Work Plan of the Company, the Resolution on the 2021 Financial Plan of the Company and the Resolution on the Capital Increase to China Securities (International) Finance Holding Company Limited
April 13, 2021	Considered the Resolution on Establishing Asset Management Subsidiary and Correspondingly Changing the Company's Business Scope, and listened to the Report on the Company's 14th Five-Year Plan
May 25, 2021	Considered the Resolution on the Company's "14th Five-Year" Development Plan (2021–2025) and the Resolution on the Company's "14th Five-Year" Digital Development Plan (2021–2025)
July 27, 2021	Listened to the report on the business network planning of the Company, implemented the Company's "14th Five-Year" plan, and researched and discussed the development plan of the Company's business network
August 26, 2021	Considered the Resolution on the Certain Acquired Equity Interest of China Securities Funds Management Limited and the Resolution on the Establishment of Ningbo Branch

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

3. Attendance of Meetings of the Development Strategy Committee

Name	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
WANG Changqing	Chairman, Executive Director and Chairman of the Development Strategy Committee	5/5
YU Zhongfu	Vice Chairman, Non-executive Director and Member of the Development Strategy Committee	5/5
WANG Xiaolin	Vice Chairman, Non-executive Director and Member of the Development Strategy Committee	0/0
LI Geping	Executive Director and Member of the Development Strategy Committee	5/5
ZHU Jia	Non-executive Director and Member of the Development Strategy Committee	5/5
YANG Dong	Non-executive Director and Member of the Development Strategy Committee	0/0
WANG Hua	Non-executive Director and Member of the Development Strategy Committee	2/2
LAI Guanrong	Independent Non-executive Director and Member of the Development Strategy Committee	2/2
WANG Hao (resigned)	Non-executive Director and Member of the Development Strategy Committee	5/5
FENG Genfu (resigned)	Independent Non-executive Director and Member of the Development Strategy Committee	2/2
ZHANG Wei (resigned)	Non-executive Director and Member of the Development Strategy Committee	2/2

Note: WANG Xiaolin and YANG Dong, being Directors, have served as members of the Development Strategy Committee of the Board since 28 October 2021.

(II) Risk Management Committee

1. *Duties of the Committee*

The Risk Management Committee shall be mainly responsible to monitor the overall risk management of the Company and control such risks within reasonable limits, so as to ensure that the Company may implement effective risk management plans with respect to various risks in the business related activities of the Company. As of the end of the reporting period, the Risk Management Committee comprises seven Directors, namely Ms. ZHANG Wei, Mr. LI Geping, Ms. ZHANG Qin, Mr. YANG Dong, Ms. WANG Hua, Mr. BAI Jianjun and Mr. LIU Qiao. Ms. ZHANG Wei is the current Chairman of the Risk Management Committee.

As specified in the Articles of Association, the primary duties of the Risk Management Committee are as follows: (1) to review and advise on the general objectives and basic policies of compliance management and risk management; (2) to determine strategic structures and resources for the risk management of the Company, and to ensure that they are compatible with the internal risk management policies of the Company; (3) to review and advise on the establishment and duties of the institution for compliance management and risk management; (4) to evaluate the risks relating to major decisions to be considered and approved by the Board and the solutions for such major risks, and to provide advice in this regard; (5) to define the limits of major risks; (6) to supervise, examine and make recommendation to the Board on relevant risk management policies; (7) to review and approve the compliance reports and risk evaluation reports required to be considered and approved by the Board, and providing advice in this regard; and (8) other duties to be determined by the Board of Directors and other duties required by the listing rules or regulatory requirements of the places where the Company's shares are listed.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

2. *Work Summaries and Meetings of the Committee*

During the Reporting Period, the Risk Management Committee has convened three meetings. Details of the meetings are set out below:

Date of meeting	Subject matters
March 30, 2021	Considered the Resolution on the 2020 Risk Report of the Company, the Resolution on the 2020 Compliance Report of the Company, the Resolution on the Anti-money Laundering Report of the Company for 2020, the Resolution on the 2020 Money Laundering and Terrorism Financing Risk Self-Assessment Report of the Company, the Resolution on the Money Laundering Risk Management Polices of the Company, the Resolution on the 2020 Internal Control Evaluation Report of the Company, the Resolution on the 2021 Risk Management Polices of the Company, the Resolution on the Cap on Investment Amount for Proprietary Business of the Company in 2021 and the Resolution on the Anti-money Laundering Plan of the Company for 2021
August 24, 2021	Considered the resolution on the Risk Report of the Company for the First Half of 2021 and the Resolution on the 2021 Interim Compliance Report of the Company, and listened to the Anti-money Laundering Report of the Company for the First Half of 2021
September 22, 2021	Reviewed the Report on the Special Audit of the Anti-money Laundering of the Company

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

3. Attendance of Meetings of the Risk Management Committee

Name	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
ZHANG Wei	Non-executive Director and Chairman of the Risk Management Committee	0/0
LI Geping	Executive Director and Member of the Risk Management Committee	3/3
ZHANG Qin	Non-executive Director and Member of the Risk Management Committee	3/3
YANG Dong	Non-executive Director and Member of the Risk Management Committee	0/0
WANG Hua	Non-executive Director and Member of the Risk Management Committee	2/2
BAI Jianjun	Independent Non-executive Director and Member of the Risk Management Committee	3/3
LIU Qiao	Independent Non-executive Director and Member of the Risk Management Committee	3/3
WANG Hao (resigned)	Non-executive Director and Member of the Risk Management Committee	3/3

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(III) Audit Committee

1. *Duties of the Committee*

The Audit Committee is responsible for the compliance control of the operating management and investment business of the Company and the review and supervision of the internal auditing works and results of the Company. As at the end of the reporting period, the Audit Committee comprises five Directors, namely Mr. DAI Deming, Mr. WANG Xiaolin, Ms. ZHANG Qin, Mr. PO Wai Kwong and Mr. LAI Guanrong. Mr. DAI Deming currently serves as the Chairman of the Audit Committee.

As specified in the Articles of Association, the primary duties of the Audit Committee are as follows: (1) to supervise the annual audit and make judgment on the truthfulness, accuracy and completeness of the audited information contained in the financial reports before submitting the reports to the Board; (2) to propose to engage or dismiss the external auditor of the Company, and to supervise the practice of external auditors; (3) to supervise the internal audit system and its implementation; (4) to be responsible for the communications between the internal audit and the external audit; (5) to review and approve the financial information of the Company and its disclosure; (6) to examine the internal control system of the Company; and (7) other duties determined by the Board of Directors and other duties required by the listing rules or regulatory requirements of the places where the Company's shares are listed.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

2. *Work Summaries and Meetings of the Committee*

During the Reporting Period, the Audit Committee has convened five meetings. Details of the meetings are set out below:

Date of meeting	Subject matters
January 26, 2021	Considered the Resolution on the Provision for Asset Impairment of the Company
March 29, 2021	Listened to the report about the 2020 annual review scheme and primary review of the Company; considered the Resolution on the Financial Accounts for 2020 of the Company, the Resolution on the Annual Report and Results Announcement for 2020 of the Company, the Resolution on the Internal Control Evaluation Report for 2020 of the Company, the Resolution on the Internal Audit Work for 2020 and Work Plan for 2021 of the Company, the Resolution on the Performance of Duties of Audit Committee of the Board of Directors of the Company for 2020, the Resolution on the Work System of the Annual Report of the Audit Committee of the Board of Directors of the Company, the Resolution on the Estimation of Daily Connected Transactions of the Company in 2021 and the Resolution on the Renewal of the Appointment of the Company's Accounting Firm for 2021
April 21, 2021	Considered the Resolution on the 2021 First Quarterly Report of the Company
August 25, 2021	Considered the Resolution on the 2021 Interim Report (A Shares) of the Company and the Resolution on the 2021 Interim Results Announcement and Interim Report (H Shares) of the Company; listened to the report by external audit agency on the review of the 2021 Interim Financial Report of the Company
October 27, 2021	Considered the Resolution on the 2021 Third Quarterly Report of the Company

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

3. Attendance of Meetings of the Audit Committee

Name	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
DAI Deming	Independent Non-executive Director and Chairman of the Audit Committee	5/5
WANG Xiaolin	Vice Chairman, Non-executive Director and Member of the Audit Committee	5/5
ZHANG Qin	Non-executive Director and Member of the Audit Committee	5/5
PO Wai Kwong	Independent Non-executive Director and Member of the Audit Committee	2/2
LAI Guanrong	Independent Non-executive Director and Member of the Audit Committee	2/2
FENG Genfu (resigned)	Independent Non-executive Director and Member of the Audit Committee	3/3
ZHU Shengqin (resigned)	Independent Non-executive Director and Member of the Audit Committee	3/3

(IV) Remuneration and Nomination Committee

1. *Duties of the Committee*

The Remuneration and Nomination Committee is mainly responsible for formulation of the appraisal standards of the Company's Directors and the senior management, as well as conducting appraisal; formulation and examination of remuneration policy and proposal for the Directors and the senior management (including but not limited to performance evaluation standards, procedures and major evaluation systems, major programs and systems of incentives and penalties); researching the selection standard of Directors and the senior management and making suggestions of the candidates. As at the end of the reporting period, the Remuneration and Nomination Committee comprises seven Directors, namely Mr. BAI Jianjun, Mr. WANG Changqing, Mr. YU Zhongfu, Ms. ZHANG Wei, Mr. DAI Deming, Mr. LIU Qiao and Mr. PO Wai Kwong. Mr. BAI Jianjun currently serves as the Chairman of the Remuneration and Nomination Committee.

As specified in the Articles of Association, the primary duties of the Remuneration and Nomination Committee are as follows: (1) to formulate and implement a performance evaluation system responsive to the changing market conditions, competitive remuneration package and the incentive measures for awards and punishments related to operating results, in accordance with the features of the financial and securities industry, the respective scope, responsibilities, significance of the Directors and senior management and remuneration levels of similar positions in other relevant enterprises; (2) to assess the fulfillment of duties of the Directors and senior management of the Company and to appraise their annual performance; (3) to review and advise on the appraisal and remuneration system for the Directors and senior management; (4) to monitor the implementation of the remuneration system for the Directors and senior management; (5) to review and advise on the election standards and procedures of the Directors and senior management; to search for eligible candidates for Directors and senior management; to review and provide opinions on the qualification criteria of candidates for Directors and senior management; and (6) other duties determined by the Board of Directors and other duties required by the listing rules or regulatory requirements of the places where the Company's shares are listed.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

2. *Work Summaries and Meetings of the Committee*

During the Reporting Period, the Remuneration and Nomination Committee has convened three meetings. Details of the meeting of the Remuneration and Nomination Committee are set out below:

Date of meeting	Subject matters
March 29, 2021	Considered the Resolution on the Nomination of Candidates for Independent Directors of the Company and the Resolution on the Appraisal of Chief Compliance Officer of the Company in 2020
May 26, 2021	Considered the Resolution on the Election of the Directors of the Company and the Resolution on the 2020 Annual Bonus of Management Team of the Company
September 22, 2021	Considered the Resolution on Additional Appointment of Directors of the Company

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

3. Attendance of Meetings of the Remuneration and Nomination Committee

Name	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
BAI Jianjun	Independent Non-executive Director and Chairman of Remuneration and Nomination Committee	3/3
WANG Changqing	Chairman, Executive Director and Member of Remuneration and Nomination Committee	3/3
YU Zhongfu	Vice Chairman, Non-executive Director and Member of Remuneration and Nomination Committee	3/3
ZHANG Wei	Non-executive Director and Member of Remuneration and Nomination Committee	1/1
DAI Deming	Independent Non-executive Director and Member of Remuneration and Nomination Committee	3/3
LIU Qiao	Independent Non-executive Director and Member of Remuneration and Nomination Committee	3/3
PO Wai Kwong	Independent Non-executive Director and Member of Remuneration and Nomination Committee	1/1
WANG Xiaolin (served)	Vice Chairman, Non-executive Director and Member of Remuneration and Nomination Committee	2/2
ZHU Shengqin (resigned)	Independent Non-executive Director and Member of Remuneration and Nomination Committee	1/1

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

VI. SUPERVISORS AND THE SUPERVISORY COMMITTEE

(I) Formation of the Supervisory Committee

The Company sets up a Supervisory Committee that is responsible to the Shareholders' general meetings. In accordance with the Articles of Association, the Supervisory Committee consists of six Supervisors, four of which are Shareholder Representative Supervisors and two of which are Employee Representative Supervisors; the Supervisory Committee is chaired by the chairman of the Supervisory Committee. The Supervisors serve a term of three years and are eligible for re-election upon the expiration of their terms.

As of the end of the Reporting Period, the Supervisory Committee of the Company consisted of 5 Supervisors, Mr. ZHOU Xiaoyu, Ms. AI Bo, Ms. ZHAO Lijun, Ms. LIN Xuan, and Mr. ZHAO Ming, among whom Ms. LIN Xuan and Mr. ZHAO Ming were employee Supervisors. The one Supervisor of the Company temporarily left vacant will perform relevant nomination and election procedures separately.

(II) Powers and Duties of the Supervisory Committee

In accordance with the provisions of the Articles of Association, the Supervisory Committee shall exercise the following duties and powers: (1) the regular reports of the Company prepared by the Board shall be reviewed and written review opinions shall be put forward; (2) to review the financial position of the Company; (3) supervising the Directors and senior management in their performance of duties and proposing the dismissal of Directors and senior management who contravenes laws, administrative regulations, the Articles of Association or Shareholders' resolutions; (4) demanding any Director and senior management who acts in a manner which is prejudicial to the interests of the Company to rectify such behavior, and report to the Shareholders' general meeting or relevant competent authorities of the State when necessary; (5) to propose the convening of an extraordinary general meeting, and to convene and preside over the general meeting when the Board fails to perform such duties as specified by the Company Law; (6) to put forward proposals to the Shareholders' general meetings; (7) to attend the Board meetings, and put forward queries or suggestions regarding resolutions at Board Meetings; (8) to arrange exit audit on senior management members; (9) to initiate litigations against Directors and senior management members in accordance with provisions of the Company Law; (10) to review financial information such as financial reports, business reports, and profit distribution plans as proposed by the Board to the general meetings, and to engage certified public accountants and practicing auditors in the name of the Company to assist with further examination if there are any queries; (11) to conduct investigation in case of any abnormality found in the operation of the Company; and if necessary, to retain at the expense of the Company such agencies as certified accounting firm and law firm to assist its work; (12) other duties and powers conferred by the laws, administrative regulations, departmental rules, normative documents, listing rules of the place where the Company is listed and Articles of Association.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(III) Operation of the Supervisory Committee

During the Reporting Period, the Supervisory Committee of the Company operated in strict compliance with the provisions of relevant laws and regulations and regulatory documents, the Articles of Association and the Rules of Procedures for Supervisory Committee. Convening and holding procedures as well as voting procedures of Supervisory Committee meetings complied with the provisions of the Company Law and the Articles of Association, and resolutions made were legal and valid.

(IV) Meetings of the Supervisory Committee

In 2021, the Supervisory Committee of the Company convened seven meetings, the details of which are as follows:

On January 27, 2021, the 13th meeting of the second session of the Supervisory Committee of the Company was convened, which considered and approved the Resolution on the Provision for Impairment of Assets of the Company.

On March 31, 2021, the 14th meeting of the second session of the Supervisory Committee of the Company was convened, which considered and approved the Resolution on the 2020 Work Report of the Supervisory Committee of the Company, the Resolution on the 2020 Work Report and 2021 Working Plans of Internal Auditing of the Company, the Resolution on the Final Accounts of the Company in 2020, the Resolution on the Profit Distribution of the Company in 2020, the Resolution on the 2020 Annual Report and Results Announcement of the Company, the Resolution on the 2020 Risk Report of the Company, the Resolution the 2020 Compliance Report of the Company, the Resolution on the Work Report on the Anti-Money Laundering of the Company in 2020, the Resolution on the Report of Self-Assessment of Money Laundering and Terrorism Financing Risks of the Company in 2020, the Resolution of Risk Management Strategy for Money Laundering of the Company, the Resolution on the 2020 Internal Control Evaluation Report of the Company, the Resolution on the 2020 Social Responsibility cum the Environmental, Social and Governance Report of the Company, the Resolution on the Special Report on the Deposit and Actual Use of Raised Funds of the Company for 2020, the Resolution on the Anti-Money Laundering Plan of the Company for 2021 and the Resolution on the Expected Related Party Transactions of the Company in 2021.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

On April 22, 2021, the 15th meeting of the second session of the Supervisory Committee of the Company was convened, which considered and approved the Resolution on the 2020 Interim Report (A Shares) of the Company, the Resolution on the 2020 Interim Results Announcement and Interim Report (H Shares) of the Company, and the Resolution on the Risk Report of the Company for the First Half of 2020.

On July 22, 2021, the 16th meeting of the second session of the Supervisory Committee of the Company was convened, which considered and approved the Resolution on the Additional Appointment of Directors of the Company.

On August 17, 2021, the 17th meeting of the second session of the Supervisory Committee of the Company was convened, which considered and approved the Resolution on the Election of the Chairman of the Supervisory Committee of the Company.

On August 26, 2021, the 18th meeting of the second session of the Supervisory Committee of the Company was convened, which considered and approved the Resolution on the 2021 Interim Report (A Shares) of the Company, the Resolution on the 2021 Interim Results Announcement and Interim Report (H Shares) of the Company, the Resolution on the Risk Report of the Company for the First Half of 2021, the Resolution on the 2021 Interim Compliance Report of the Company, the Resolution on the Special Report on the Deposit and Actual Use of Raised Funds of the Company for the First Half of 2021, and listened to the Work Report on the Anti-Money Laundering of the Company for the First Half of 2021.

On 28 October 2021, the 19th meeting of the second session of the Supervisory Committee of the Company was convened, which considered and approved the Resolution on the 2021 Third Quarterly Report of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(V) Attendance of Meetings of the Supervisory Committee by Supervisors

Name	Number of meetings	Attendance in person	Attendance by proxy	Absence
ZHOU Xiaoyu	3	3	0	0
AI Bo	7	7	0	0
ZHAO Lijun	7	7	0	0
LIN Xuan	7	7	0	0
ZHAO Ming	7	7	0	0

VII. COMPANY SECRETARIES

Mr. WANG Guangxue, the secretary to the Board and a joint company secretary of the Company, is responsible for making recommendations and proposals to the Board on issues related to corporate governance, and ensuring that Board policies and procedures as well as applicable laws, rules and regulations are strictly followed.

In order to maintain sound corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also appointed Ms. WONG Wai Ling of SWCS Corporate Services Group (Hong Kong) Limited, as the Company's joint company secretary, to assist Mr. WANG Guangxue in discharging the duties of a company secretary. Mr. WANG Guangxue has attended necessary trainings on, including laws and regulations of the place where the shares of the Company are listed, the Listing Rules, director and Board secretaries' duties, rules on information disclosure, rules on connected transactions, notifiable transactions, equity management of securities companies, directors' and supervisors' securities dealings, disclosure of interests, market misconduct and the implementation of relevant internal policies. Meanwhile, Mr. WANG Guangxue has participated in and passed the relevant training and examination for the secretary to the Board organized by the Shanghai Stock Exchange, and obtained the qualification for the secretary to the Board.

Both Mr. WANG Guangxue and Ms. WONG Wai Ling have confirmed that they received not less than 15 hours of relevant professional training during the year ended 31 December 2021.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

VIII. INVESTOR RELATIONS

The Company emphasizes the importance of protecting the interest of investors and endeavors to provide comprehensive and effective investor relations services. The Company has actively performed the duties of a listed company. The Company established an investor relations service and management system, formed an investor relations service team led by the secretary to the Board, set up a hotline and mail box for investor relations services and created an investor relations sector on the official website of the Company, to ensure the true, effective and timely communication of corporate information to investors.

The Company was visited by domestic and overseas institutional investors and analysts, remained in close communication with investors to address their concerns through various channels including teleconferences, video conferences and e-mails, and convened online results debriefing upon the disclosure of regular report to help investors better understand the latest developments in the market, securities industry as well as the strategies and operations of the Company, subject to the relevant regulatory requirements for information disclosure.

IX. COMMUNICATION WITH SHAREHOLDERS

The Shareholders' general meeting is the body exercising the authority of the Company, Shareholders shall exercise the duties and powers in accordance with the laws and regulations, the Articles of Association and the Rules of Procedures for the Shareholders' General Meeting of the Company.

The rights of the Shareholders are clearly specified in the Articles of Association. The Company convened the Shareholders' general meetings in strict compliance with the relevant rules and procedures such that all Shareholders, especially minority shareholders, are treated equally and can fully exercise their legitimate rights. Shareholders may propose to convene an extraordinary general meeting or Shareholders' class meeting or put forward proposals pursuant to the Articles of Association. Shareholder(s) that hold, individually or collectively, ten percent (10%) or more of the Shares in the Company shall have the right to request in writing the Board to hold an extraordinary general meeting or Shareholders' class meeting. The Board, the Supervisory Committee and Shareholder(s) that hold, individually or collectively, three percent (3%) or more of the Shares in the Company shall have the right to propose motions to the Company at the general meeting. The Shareholders may attend and vote at general meetings in person or by proxy. The Articles of Association is set out on the websites of the Company, SSE and the HKEx.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

A resolution on amendments to the Articles of Association was proposed for the approval of the Shareholders at the 2020 annual general meeting held on June 29, 2021, details of which were set out in the Company's circular dated May 31, 2021. The latest version of the Articles of Association is set out on the websites of the Company, SSE and the HKEx.

The resolutions of the meeting and the legal opinions of the general meeting issued by the legal adviser of the Company are set out on the websites of the Company, the Shanghai Stock Exchange and the Hong Kong Stock Exchange on the day of each general meeting, which are available to shareholders for inspection.

The Shareholders' general meeting provides opportunities for communications between the Company and its Shareholders. Shareholders are encouraged to attend general meetings in person, or if they fail to attend such meetings, appoint proxies to attend and vote at the meetings for and on their behalf. The Company highly values the opinions, suggestions and concerns of the Shareholders and has assigned dedicated persons to proactively and ethically carry out various types of investor relation activities to keep in contact with Shareholders and timely meet their reasonable demands.

The Company's website (www.csc108.com) provides Shareholders with corporate information, such as major business activities and the latest development of the Group, the Group's corporate governance, the structure and functions of the Board and each of the committees of the Company. To serve as a channel promoting effective communication with Shareholders, the Company also publishes announcements, circulars, notices of general meeting, financial data and other information of the Company required to be disclosed under the Listing Rules from time to time through the "Investor Relations" section on the Company's website. Shareholders are encouraged to make enquiries by phone, by email or write directly to the office address of the Company, which will be dealt with appropriately in a timely manner. Please refer to the "Section 2 Company Information" section of this annual report for the contact details.

The Company welcomes all Shareholders to attend the Shareholders' general meetings and makes appropriate arrangement for general meetings to encourage Shareholders' participation. The Company's Directors, Supervisors and senior management will attend the Shareholders' general meetings. In accordance with paragraph E.1.2 of the Corporate Governance Code, the Chairman of the Board and chairmen of the Development Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee under the Board shall be available to answer questions at the annual general meeting and shall also ensure that the external auditors will attend the annual general meeting to answer the relevant questions raised by Shareholders.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

The Company shall arrange the Board to answer questions raised by Shareholders during the 2021 Shareholders' general meeting. Detailed procedures of voting and resolutions to be voted by way of poll will be contained in the circular to be dispatched to the Shareholders.

X. PROCEDURES FOR PROCESSING AND RELEASING INSIDE INFORMATION

With approval from the Board and pursuant to the requirements of domestic and overseas laws and regulations, Listing Rules and Articles of Association, as well as the actual conditions of the Company, the "Policy on Information Disclosure Management of CSC Financial Co., Ltd." has been formulated by the Company to determine the division of duties and responsibilities on information disclosure, the procedures for processing and releasing inside information and other information required to be disclosed. Pursuant to this policy, the Company must, as soon as reasonably practicable after any inside information has come to its knowledge or a false market may be formed, disclose such information to the public.

During the Reporting Period, the Company has truthfully, accurately, legally and timely disclosed information strictly in compliance with the requirements of domestic and overseas laws and regulations, Listing Rules, Articles of Association and the Policy on Information Disclosure Management of the Company without any false statements, misleading statements or material omissions, to ensure investors will be able to receive the disclosed information in a fair, timely and effective manner.

XI. RISK MANAGEMENT, COMPLIANCE MANAGEMENT AND INTERNAL CONTROL

(I) Risk Management

For the objectives and policies of risk management of the Company, please refer to the "Section 4 Management Discussion and Analysis – XII. Risk Management" of this annual report.

The Board confirms its responsibility for the risk management and internal control systems and reviews the effectiveness of such systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(II) Compliance Management

The Company has established a four-level compliance management structural system comprising the Board, Chief Compliance Officer, Legal and Compliance Department and the persons in charge of compliance management across business departments, branches and subsidiaries at all levels. The compliance management system with the Chief Compliance Officer as the core is independent from the operations management system of the Company, and has the right to independently issue compliance reports.

The Board of the Company determines the objectives of compliance management and is responsible for the effectiveness of compliance management of the Company; the operating management is responsible for implementing the targets of compliance management and is responsible for compliance operation of the Company; all departments, all branches and all subsidiaries at all levels are responsible for implementing the targets of compliance management of the entity and are responsible for compliance operation of the entity.

The Chief Compliance Officer, a senior management personnel of the Company, is in charge of the Company's compliance management, directly accountable to the Board, and responsible for reviewing, supervising and examining the compliance of the operations, management and business activities carried out by the Company and its employees.

The Company established the Legal and Compliance Department as a specific department of compliance management under the leadership of the Chief Compliance Officer, and independently carried out the compliance management work of the Company. The main responsibilities of the Legal and Compliance Department are to assist the Chief Compliance Officer in formulating and amending the compliance management system of the Company and facilitate its implementation; to provide compliance suggestions, compliance consultation, compliance training, and to guide the staff of the Company to accurately understand the laws and regulations and rules; to provide compliance advice on review of new products and new businesses of the Company to identify and evaluate compliance risks; to conduct compliance inspection, compliance accountability and compliance report, and rationalize and evaluate the compliance of the system and procedures of the Company; to conduct compliance monitoring in terms of suspicious transactions and employees' behaviors, and to be responsible for specific compliance management such as anti-money laundering, management of compliance personnel, information isolation and conflicts of interests; to initiate and facilitate compliance cultural construction, and cultivate the compliance awareness of all staff.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

The Company has appointed compliance management personnel conforming to regulatory requirements in all business departments and all branches. The compliance management personnel are responsible for daily monitoring, inspection, management and training in relation to compliance in the entities. The full time and part-time compliance management personnel are under the leadership of the Legal and Compliance Department in accordance with regulatory requirements.

The compliance management of subsidiaries at all levels have been integrated into the unified system by the Company. The Company has specified compliance management matters of the subsidiaries subject to reporting to the Company and conducted reviews on the compliance management system of subsidiaries, supervised and inspected the compliance of behaviors of subsidiaries' management to ensure that the compliance management of the subsidiaries was in compliance with the requirements of the Company.

(III) Internal Control

1. Self-evaluation of Internal Control

The internal control evaluation of the Company was carried out in accordance with the Basic Norms of Internal Control for Enterprises and the provisions of supporting guidelines and other internal control regulatory requirements and was implemented by the Board of Directors. The process of internal control evaluation also made reference to the system requirements, such as the Guidance for the Internal Control of Securities Firms published by the CSRC, the Guidelines for the Internal Control of Listed Companies published by Shanghai Stock Exchange, Rules for the Compilation and Reporting of Information Disclosure by Companies Offering Securities to the Public No. 21 – General Requirements for Annual Internal Control Evaluation Report and corporate governance rules in Hong Kong. For details, please refer to the 2021 Evaluation Report of Internal Control of CSC Financial Co., Ltd.

2. Internal Auditing

During the Reporting Period, the Audit Department, as required by the Supervisory Committee of the Company and based on the completion of auditing items required in regulatory documents, has focused on business risks, prevented violations and corrupt conducts, and has improved the level of internal control and independently performed the responsibility of auditing and supervision.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

During the Reporting Period, the Audit Department implemented a total of 173 audit projects. Among these projects, 30 were audit projects for headquarters, 4 were audit projects for subsidiaries and 139 were audit projects for branches, the details of which are as follows: Departments involved in the business audit projects included: Business Committee of Investment Banking Management, Brokerage Business Management Committee, Fixed Income Department, Asset Management Department, Custodian Department and IT Department. The scale of effectiveness evaluation of compliance management and self-evaluation audit projects of internal control include each department and subsidiary of the Company. The subsidiaries audited involved China Futures, China Capital Management and China Securities (International). 139 audits for branches, including seven mandatory audits on resignation for person-in-charge of branch offices, 9 audits on resignation for person-in-charge of branch office, 64 audits on mandatory leave of person-in-charge of business departments and 59 audits on resignation for person-in-charge of business departments.

Through the abovementioned audits, the Audit Department examined and evaluated the integrity and effectiveness of the compliance management, risk management and internal control of audited units, and revealed the existing major risks, which played a proactive role in promoting the improvement of awareness of risk prevention and risk management level, providing management suggestions and other aspects in all departments, subsidiaries and branches of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

(IV) Specific Explanations on Independent Directors' Statement of Aggregate and Current External Guarantees and Implementation of Relevant Regulations of the Company

The independent Directors of the Company, after having made the understanding and verification of the Company's guarantees as of 31 December 2021, have confirmed that the Company did not provide guarantees for legal persons or other organizations other than the subsidiaries of the Company during the Reporting Period.

The independent Directors are of the view that the Company abides by laws and regulations, regulatory rules and the Articles of Association in relation to guarantees, strictly performs the decision-making procedures and information disclosure obligations, control on guarantee risk, with no evidence of any regulatory violations, no evidence beyond the authorization of the general meeting, no evidence of harming the legitimate rights and interests of the Company and its shareholders. For the specific explanations and independent opinions issued by the independent directors of the Company please refer to the publicly disclosed Specific Explanations and Independent Opinions of Independent Directors on the Guarantees of CSC Financial Co. Ltd..

XII. APPOINTMENT OF AUDITORS

Please refer to the "Appointment or Termination of Auditors" of this annual report for information about the appointment of auditors.

The Directors are responsible for the preparation of the accounts, and the auditors are responsible for the issuance of audit opinions on the financial statements based on their audit work.

(I) Non-audit Work

During the Reporting Period, the Company engaged PricewaterhouseCoopers network members to conduct non-audit work, please refer to Note 10 to the consolidated financial statements of this annual report for the charge.

(II) Basis for Establishment of Internal Control System of Financial Report

During the Reporting Period, the Company continued to comply with the requirements under the Basic Norms of Internal Control for Enterprises and its ancillary guidelines, Guidance for the Internal Control of Securities Firms and other laws and regulations and rules, as well as the actual situation of the Company, further establishing a sound internal control system of financial report.

SECTION 9 CORPORATE GOVERNANCE REPORT (Continued)

During the Reporting Period, the Company strictly complied with the requirements under the Company Law, Accounting Law, Accounting Standards for Business Enterprises, Standardization of Basic Work of Accounting, Basic Norms of Internal Control for Enterprises and other relevant laws and regulations, as well as the characteristics of the industry and the actual condition of the Company, so as to formulate, revise or improve the financial and accounting management systems and other internal control systems of the Company, such as the Regulations on Marketing Expenses Management (《營銷費用管理條例》), the Administrative Measures for Operating Expenses in the Headquarters (《總部營業費用管理辦法》), the Administrative Measures for Operating Expenses in Branches (《分支機構營業費用管理辦法》) and the Rules of Procedure of the Capital Expenditure Review Committee (《資本性支出審核委員會議事規則》). The Company sets up a scientific financial and accounting organization structure, engages qualified financial and accounting professionals, uses stricter standardized financial and accounting management system, implements proper accounting policies and reasonable accounting estimates, in order to ensure the financial reports prepared by the Company comply with the requirements of accounting standards, and can reflect the financial position, operating results, cash flow and other information of the Company truthfully, accurately and completely. The Supervisory Committee of the Company and external auditors conduct effective examination and supervision over the finance of the Company, and provide professional audit opinions on the financial reports of the Company pursuant to the Articles of Association and the relevant regulations.

During the Reporting Period, since the internal control system relating to the Company's financial report was integrated and operated smoothly, the quality of the financial report can be safeguarded and the reliability of the financial information can be assured. During the Reporting Period, there is no material defect in the internal control system relating to the financial report, and the information set out in the Company's annual financial report are true, accurate and complete.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CSC is committed to its mission of “bringing together talents, serving customers, creating value and contributing to the society.” While maintaining robust operations and creating economic value for shareholders and investors, the Company also attaches great importance to managing ESG risks and opportunities of environmental, social and corporate governance (hereinafter referred to as “ESG”) and fulfills its social responsibility in all aspects.

This section is to introduce the specific measures, key practices, highlight cases and key performance of CSC in the aspects of actively undertaking social responsibility and effectively managing ESG risks and opportunities in 2021. This section should be read in conjunction with the section of Corporate Governance Report in 2021 annual report of CSC, so as to have a comprehensive understanding of the Company. Meanwhile, for the relevant details of this section, please refer to the independent 2021 Social Responsibility and ESG report of CSC Financial Co., Ltd. prepared by the Company.

Unless otherwise specified, the monetary amounts involved in this chapter are expressed in RMB.

1. ESG MANAGEMENT

The Company has elevated ESG governance to an important position in corporate governance, and has gradually established an ESG governance structure with clear responsibilities, coordination and checks and balances among decision-making, supervisory and management levels. In November 2021, the Company established the ESG Committee of the Executive Committee, which is responsible for reviewing, managing and supervising the Company’s ESG-related matters and implementation, actively integrating ESG factors into corporate governance and business strategies, and further improving the ESG governance standards of the Company.

Organizational Structure of ESG Committee

• The chairman of the ESG Committee shall be the chairman of the Board and the vice chairman shall be the general manager; the permanent members include the heads of each division or administrator of the Company office, human resources department, risk management department and legal and compliance department; other members include the administrator or authorized representative of the investment banking committee, the economic management committee, the trading department, the derivatives trading department, the fixed income department, the asset management department and the general management department.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Duties of the ESG Committee

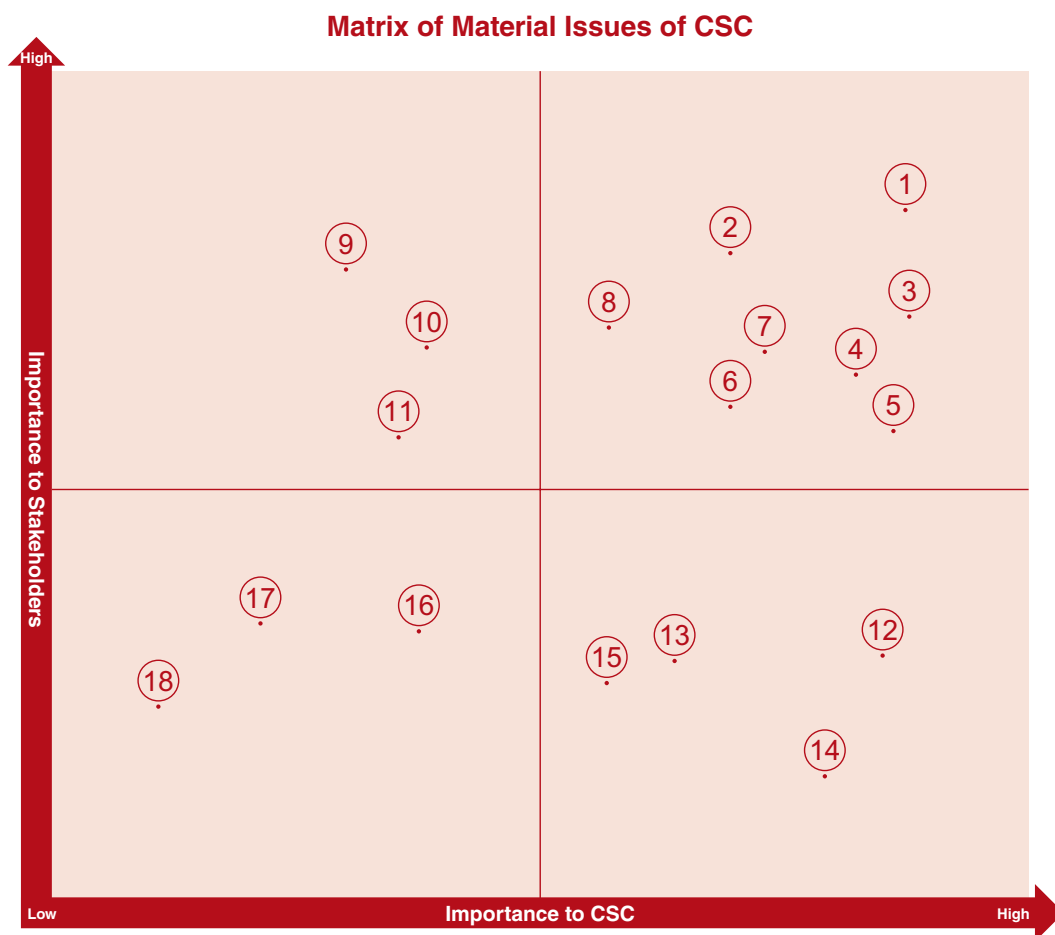
- Formulate and review the Company's ESG-related work plans, policies and disclosure documents, and supervise the implementation of the Company's ESG affairs.
- Identify ESG risks and opportunities that have a significant impact on the Company's development, and assist the management to take appropriate measures against ESG risks and opportunities.
- Study the Company's ESG management and development issues and issue special reports from time to time.

Working Mechanism of the ESG Committee

- Regular meetings shall be held at least once a year; the extraordinary meeting shall be convened upon proposal by the Company office and approval by the chairman of the committee according to work requirements.
- Matters considered and voted on by the ESG Committee shall be approved by more than two-thirds of the members present at the meeting. The chairman of the Committee shall have a veto right over the matters considered and voted on.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

In 2021, based on its own business strategy and industry characteristics, combined with ESG policies, standards, and megatrends, the Company benchmarked the peer reports, combined with the opinion of investors, ESG rating agencies and third-party teams to identify 18 material issues closely related to the fulfillment of the Company's social responsibility and the management of ESG risks and opportunities.



SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Materiality Matrix of CSR Material Issues of CSC

Issue level	Number	Material Issues	Relevant aspects of the ESG Reporting Guidelines of the Hong Kong Stock Exchange
Core Issues	1	Serving national strategic development	–
	2	Optimizing customer service	B6 Product responsibility
	3	Business ethics and prevention of financial crime	B7 Anti-corruption
	4	Promoting Inclusive Finance	–
	5	Risk management	–
	6	Compliance operation	B6 Product responsibility
	7	Information security and privacy protection	B6 Product responsibility
	8	Sustainable investment and financing	A3 Environment and natural resources, A4 climate change
Material Issues	9	Investor education and protection	B6 Product responsibility
	10	Responsible marketing	B6 Product responsibility
	11	Rural revitalization and public welfare	B8 Community investment
	12	Digital transformation	–
	13	Human capital development	B1 Employment, B2 Health and safety, B3 Development and training
	14	Corporate governance	Mandatory disclosure – governance
	15	Responding to climate change	A3 Environment and natural resources, A4 Climate change
General issues	16	Diversity and inclusion	B1 Employment
	17	Supply chain management	B5 Supply chain management
	18	Green operations	A1 Emissions, A2 Use of resources, A4 Climate change

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

2. ENVIRONMENT

CSC has been complying with important laws and regulations and policies such as the Resource Conservation Law of the People's Republic of China(《中華人民共和國節約資源法》), the Environmental Protection Law of the People's Republic of China(《中華人民共和國環境保護法》), the Prevention and Control of Water Pollution Law of the People's Republic of China(《中華人民共和國水污染防治法》), the Prevention and Control of Air Pollution Law of the People's Republic of China(《中華人民共和國大氣污染防治法》) and the Prevention and Control of Solid Waste Pollution Law of the People's Republic of China(《中華人民共和國固體廢物污染防治法》), actively promoted the Company's green development, strived to improve the efficiency of energy and resources utilization, reduced the environmental impact of business activities, and built a long-term mechanism for environmental protection.

2.1 Emissions

In terms of emissions management, the Company strictly implements the Interim Provisions on the Management of Business Vehicles(《公務用車管理暫行規定》) and keeps a file for each vehicle, which records detailed information such as the mileage, use of fuel, and inspection dates; checks vehicle maintenance regularly and has vehicles with excessive emissions scrapped in time to ensure that the exhaust emission standards meet the requirements of national regulations; records and counts the fuel consumption of vehicles on time and identifies causes in the event of unusually high fuel consumption to avoid more waste of resources.

In terms of waste management, the hazardous wastes in the course of the Company's daily office operation mainly include waste toner cartridge, ink cartridge, waste lead-acid batteries, etc.. The non-hazardous waste mainly includes office waste and waste electronic devices. The office waste is handled by the office building property management company; the waste electronic devices and hazardous waste are recycled and disposed of by the recyclers.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Indicators	Unit	2021
Total GHG emissions ^{2, 4}	tCO2e	4,620.23
Total direct (Scope 1) GHG emissions	tCO2e	371.10
Intensity of direct (Scope 1) GHG emissions	tCO2e/m ²	0.004
Total indirect (Scope 2) GHG emissions	tCO2e	4,249.13
Intensity of indirect (Scope 2) GHG emissions	tCO2e/m ²	0.05
Total waste	tonnes	331.26
Total non-hazardous waste	tonnes	233.20
Total hazardous waste	tonnes	98.06
NOx emissions ⁴	tonnes	0.04
CO emissions ⁴	tonnes	0.77
HC emissions ⁴	tonnes	0.09
Particulate matter ⁴	tonnes	0.01

2.2 Use of Resources

In terms of management of energy utilization, the Company continues to improve the energy consumption monitoring system, improve the refined standard of energy management, and adopt targeted energy-saving measures. The Company's energy consumption mainly occurs in three areas: fuel consumption by the Company-owned business vehicles, daily electricity consumption at the workplace, and electricity consumption at the data centers. In response, the Company continues to improve the energy consumption monitoring system to further refine energy management and takes targeted measures to improve energy efficiency.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

In terms of energy conservation in data centers, the two leased data centers of the Company located in Beijing have implemented energy-saving technologies such as centralized cooling of high-pressure coolers, variable frequency centrifugal water cooling units, air flow optimization of cold channels, single shelf high power, thermal backplane air conditioning, and ground source heat pump heating in accordance with the operation mode of “energy-saving transformation + energy-saving operation and maintenance”. In 2021, the average daily PUE value of the data center was 1.5, saving more than 10 million kWh of electricity and reducing carbon dioxide emissions by approximately 10,000 tonnes.

Indicators	Unit	2021	2020
Direct energy consumption			
Gasoline consumption	liters	118,026.64	135,358.22
Natural gas consumption	m ³	24,372	25,372.00
Indirect energy consumption			
Purchased electricity consumption	kWH	7,277,157.61	7,286,198.66

In terms of water resources management, the Company manages to avoid waste of drinking water due to expiration by limiting the amount of bottled drinking water in a single purchase and reduce the amount of tap water used by installing automatic sensor faucets in public areas.

Indicators	Unit	2021	2020
Total water consumption ⁵	tonnes	23,041.80	31,768.75
Intensity of water consumption	tonnes/m ²	0.27	0.37

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

2.3 The Environment and Natural Resources

In terms of paper use management, the Company makes a major push to use the All-in-one Counter system, realizing electronic signature for both on-site and witness account opening at the securities branches and thus significantly reducing the use of paper. During the year, the OA system of the Company further promoted the online approval process; The all-in-one counter system was fully put into operation in all branches across the country, covering 99% of account business and achieving paperless review, electronic signature of counter business and off-site witness business of branches; the Company advocated paperless office and encouraged employees to use emails or circulate documents to reduce paper copying.

In terms of waste classification management, the Company has put together a waste sorting management team, ordered the signing of a waste sorting pledge by relevant units, posted posters in public areas, and arranged for personnel in the canteen to guide and assist in the sorting of kitchen waste. Meanwhile, the Company educates the employees on waste sorting concepts and practices to maximize their involvement. All of the Company's office waste is collected, transported, and treated through municipal services.

In the future, the Company will continue to conduct low-carbon operations and gradually expand the scope of environmental data collection. Based on a full grasp of its performance in energy and resource consumption, the Company will learn from the best practices of domestic and international peers and take active measures to reduce energy and water use and lower carbon emissions and waste production, thereby promoting green operations and minimizing its environmental footprint.

Indicators	Unit	2021	2020	2019
Volume of packaging material used ³	tonnes	1.7	1.8	0.36

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Notes:

1. Unless otherwise specified, the scope of 2021 environmental information involved in the operation of the Company in this report includes the headquarters and 30 branches of CSC, China Securities Funds Management Limited, China Futures Co., Ltd., China Capital Management Limited, China Securities (International) Finance Holding Company Limited and China Securities Investment Limited.
2. Given its business characteristics, the Company's main sources of GHG emissions are purchased electricity and natural gas, as well as fuel consumption from self-owned business vehicles. The GHG emissions are reported in tonnes of CO₂ equivalents (tCO₂e). In terms of emission factors, the Company calculated mainly based on the national grid average emission factor of 0.5839t CO₂/MWh as set out in the Guidelines for Accounting and Reporting Greenhouse Gas Emissions of Enterprises Power Generation Facilities (2021 Revision) issued by the Ministry of Ecology and Environment of the PRC.
3. Volume of packaging material used refers to the weight of items such as envelopes and paper bags. The statistical scope of volume of packaging material used is the headquarters.
4. The main source of the air pollutants of the Company is the exhaust emissions of its own official vehicles. The emissions of four major air pollutants, namely nitrogen oxides (NO_x), carbon monoxide (CO), hydrocarbons (HC), and particulate matter (including PM_{2.5} and PM₁₀), are disclosed in this report. Sulfur dioxide emissions are not disclosed as they are less than 0.01 tonnes. The calculation of air pollutants has been mainly based on the Technical Guidelines for the Compilation of Atmospheric Pollutant Emission Inventory of Road Motor Vehicles (《道路機動車大氣污染物排放清單編制技術指南》) released by the Ministry of Environmental Protection of the People's Republic of China.
5. The Company calculates its water use in three areas, namely municipal water supply (tap water), 5-gallon bottled water (drinking water), and single-serve bottled water (drinking water). The Company actively implements water-saving practices, and its daily water use has not caused significant environmental impact on the communities where it operates.

2.4 Tackling Climate Change

Focusing on the national strategic objectives and the direction of global sustainable development, CSC actively conducts climate-related research, identifies the impact of climate risks and opportunities on finance, and promotes the implementation of action strategies to address climate change. The Company integrates climate risk management into its risk management, regularly carries out the identification of short, medium and long-term risks and opportunities, defines the sources and scale of climate-related risks, and analyzes and resolves the risks and opportunities brought by climate change.

The Company is committed to empowering the low-carbon transformation of the global economy. According to the disclosure framework and suggestions recommended by the Task Force on Climate-Related Financial Disclosures (TCFD), the Company actively conducts research and study on governance, strategy, risk management, indicators and goals, and establishes the Company's climate-related risk management framework.

Governance

- The Board of Directors of the Company formulates climate strategies and supervises the management of climate-related issues, reviews the Company's social responsibility and ESG report annually, and implements ESG-related Board resolutions including "climate change" issues.
- The ESG Committee under the Executive Committee of the Company is chaired by the chairman of the Board to carry out ESG-related work, including formulating the Company's climate-related work plan, reviewing climate-related policies and disclosure documents, identifying climate-related risks and opportunities that have a significant impact on the Company's development, and taking appropriate countermeasures.

Strategy

- The Company attaches great importance to climate-related risks and their impact on the financial business, strategy and finance. Based on the development of the financial industry, the Company identifies the major risks and opportunities it faces in climate, and takes measures to prevent and respond to the transformation and physical risks caused by climate change.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

- Risk management**
- According to the TCFD framework, the Company gradually incorporates climate-related risks and opportunities into its risk management system. The Company integrates ESG concepts into the risk management process of its business, and considers climate and environmental factors in business processes such as access, due diligence, investment decision-making, credit extension and concentration management.
- Performance and targets**
- The Company discloses the development of sustainable finance-related business in its annual social responsibility and ESG report, and analyzes relevant indicators such as water resources, energy and greenhouse gas emissions.

3. SOCIETY

3.1 Employment and Labour standards

CSC adheres to the people-oriented principle and regards talents as the core resources of the enterprise. Focusing on safeguarding the legitimate rights and interests of employees, the Company strives to create a working environment of “working conscientiously and living happily” to achieve a win-win situation where employees’ well-being and corporate development are in parallel.

The Company strictly abides by the Labor Law of the People’s Republic of China, the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the Convention on Equal Pay for Equal Work, the Convention on Minimum Employment Age, the Convention on Prohibition of Child Labor, the Convention on Discrimination in Employment and Occupation and other relevant laws and regulations and international standards. The Company has formulated the Recruitment Management Measures and other internal rules and regulations, which clearly stipulate the recruitment, employment, remuneration, benefits, promotion, dismissal, working hours management, equal opportunities, diversity, anti-discrimination, employee benefits and other aspects, to realize the mutual growth of employees and enterprise.

CSC strictly follows the required process and regulations for recruitment. The Company endorses mutual respect, fairness, and justness during recruitment, treats all candidates equally, and prohibits discrimination based on gender, race, religion, etc. as it seeks top-performing talents who share the company’s philosophy and meet the needs for future development. The Company firmly prohibits the employment of child labor and involuntary employment, and strengthened the regulation of working hours to prevent illegal labor.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

In 2021, there were zero major violations of laws or regulations about human resources management at the Company.

Indicators	Unit	2021	2020
Total number of employees	–	11,778	9,994
Number of male employees	–	6,807	5,757
Number of female employees	–	4,971	4,237
Number of employees aged under 30	–	4,369	3,528
Number of employees aged 30-50	–	6,839	5,966
Number of employees aged above 50	–	570	500
Number of employees in mainland China ²	–	11,572	9,821
Number of employees in Hong Kong, Macao, Taiwan and overseas ³	–	206	173
Number of ethnic minority employees ⁴	–	527	447
Employee turnover rate	%	9.49	9.78
Male employee turnover rate	%	10.06	10.87
Female employee turnover rate	%	8.69	8.31
Turnover rate of employees aged 30 and under	%	12.51	13.90
Turnover rate of employees aged 31-50	%	7.25	7.62
Turnover rate of employees aged above 50	%	13.50	–
Turnover rate of employees in mainland China ²	%	9.13	9.34
Turnover rate of employees in Hong Kong, Macao, Taiwan and overseas ³	%	25.36	27.91

Notes:

1. In 2021, the Company included outsourced personnel in the statistical category of employee-related statistical indicators, and adjusted the statistics of the total number of employees and their composition, the number of new employees in the year and their composition.
2. The statistical scope of this indicator is the Company's labor contract employees. It refers to the Company's employees working in Chinese mainland.
3. Refers to the Company's employees working in Hong Kong, Macao, Taiwan and overseas.
4. The statistical scope of this indicator only covers the employees of the Company's headquarters.
5. The statistical scope of this indicator is contract employees of the Company.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

3.2 Health and Safety

The Company respects its employees, safeguards their legal rights and interests, and attaches importance to their health and safety. The Company encourages employees to maintain a good work-life balance and fosters a positive and motivating work culture so that everyone can enjoy a productive and happy life.

In terms of strengthening safety management, the Company complies with Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Regulation on Work-related Injury Insurances (《工傷保險條例》), Fire Law of the People's Republic of China (《中華人民共和國消防法》) and Internal Public Security Regulations of Enterprises and Institutions (《企業事業單位內部治安保護條例》) and carries out the safety management work. For the purpose of better implementing safety management work, the Company strengthened safety trainings to new employees, to ensure full coverage of accountable safety work. At the same time, the Company attaches great importance to safety work, and has promoted the development of physical protection, technical protection and fire protection, enhanced accountability system and normalized safety inspection work.

In terms of improving healthcare, the Company always puts the health of employees in the first place, purchases supplementary health insurance for employees on the basis of the contribution on social insurance for employees in compliance with law, and provides annual free physical check-up for all employees, including a special semi-annual physical examination for female employees over the age of 35. At the same time, the Company attaches great importance to the popularization of medical knowledge for employees, and regularly holds health training lectures for employees, covering traditional Chinese medicine, female health, infant health, disease prevention for the middle-aged and elderly, mental well being, and self-rescue during emergencies, etc., which helps employees acquire scientific knowledge and develop better work and life habits.

In terms of employee care, the Company optimized employee benefits. In addition to the statutory holiday greetings, we also express our greeting of the staff birthday, festivals, marriage, childbirth, serious illness and hospitalization, death, and retirement. The Company provides cool condolences to employees in summer, golden autumn condolences to children of employees in difficulties in autumn, and warm condolences to employees in difficulties during the New Year's Day and Spring Festival.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Indicators	Unit	2021	2020
Number of work-related fatalities	–	0	0
Percentage of work-related fatalities	%	0	0
Working days lost due to injury	–	125	0
Percentage of employees covered by labor union/collective agreements	%	100	100

3.3 Development and Training

The Company is committed to building a positive and aggressive working environment, continuously improving a multi-level talent training system centered on the “ladder of training for the growth of employees”, and providing employees with rich learning resources through diversified methods such as course training, special training and temporary exchange to promote talent growth in multiple dimensions.

On the basis of career path planning and professional training for employees, the Company has established a fair, open and equitable examination mechanism based on the core values of “recognition for achievement, ability and status”. The Company has formulated the Administrative Measures for Positions and Ranks of the Headquarters, striving to create a clear and complete employee promotion system to ensure fair and just competition opportunities for employees; We have implemented policies such as the Administrative Measures for Remuneration of the Headquarters and Administrative Measures for Performance to continuously provide fair career development opportunities for outstanding employees. Following the principle of equal pay for equal work, performance was divided into four levels: company performance, department (branch) performance, team performance and employee performance. The Company regularly reviewed the reasonableness of the salary policy, encouraged the sustainable development of employees to achieve the common development of the Company and employees.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

Indicators	Unit	2021	2020
Number of training programs conducted	–	537	172
Total amount of annual training investment	'0000	1,131	729.8
Percentage of employees trained	%	90	86.5
Percentage of male employees trained	%	90.2	87
Percentage of female employees trained	%	89.7	85
Percentage of senior managers trained	%	100	100
Percentage of mid-level managers trained	%	86.5	80
Percentage of non-management employees trained	%	93.5	87.1
Average training hours completed per employee	–	45.2	47
Average training hours completed per male employees	–	44.8	46.9
Average training hours completed per female employees	–	46.6	47.3
Average training hours completed per senior manager	–	40	42
Average training hours completed per mid-level manager	–	40.6	41.4
Average training hours completed per non-management employee	–	49.2	48.5

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

3.4 Supply Chain Management

The Company has formulated the Administrative Measures for Procurement, the Guidelines for Headquarters Procurement Implementation Process (Information Technology), the Guidelines for Headquarters Procurement Implementation Process(Non-Information Technology), the Headquarters Supplier Management Measures (Provisional) and other documents, which clearly stipulate the overall principles of supplier management, as well as the work requirements for access, grading, selection, annual post-evaluation, exit and other aspects, fully integrate ESG concepts into the entire procurement process, promote suppliers to improve environmental and social performance, and strictly implement various procurement systems to ensure compliance, fairness and transparency of procurement.

For all newly introduced suppliers, the Company requires them to sign the Letter of Undertaking of Qualified Suppliers, and undertake to comply with international and domestic laws and regulations in relation to environmental protection, carry out various production activities on the premise of not damaging the environment or minimizing environmental damage, and urge them to pay attention to energy saving, carbon reduction and the use of renewable energy. Suppliers are also required to take the initiative to adopt responsible practice to promote environmentally friendly technologies, reduce various kinds of pollution such as air, water, sound and light brought about by corporate production and operation, and take proactive attitude towards existing pollution, control the spread of pollution and disclose information to the community in a timely manner to accept public supervision from the society. Meanwhile, the Company also focused on inspecting the social and environmental risks of suppliers to ensure that they are free from dishonesty, bribery, tax evasion, arrears of salary, etc., and reviewed the qualification certification of suppliers in environmental protection, energy efficiency performance and green products.

In 2021, there was zero major violations of environmental or social regulations by CSC suppliers.

Indicators	Unit	2021	2020
Number of suppliers	–	465	515
Number of suppliers in mainland China	–	460	510
Number of suppliers in Hong Kong, Macao, Taiwan and overseas	–	5	5
Coverage of supplier audit	%	100	100
Coverage of Qualified Supplier Pledge for newly introduced suppliers	%	100	100

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

3.5 Product Responsibility and Privacy Protection

In terms of product and service management, following the principle of “timely acceptance, proper handling, efficient feedback and effective improvement”, the Company has established a complaint handling system with complete functions such as acceptance, distribution, circulation, handling, tracking, supervision, return visit, evaluation and filing. The Company has formulated the Administrative Measures for Customer Complaints (《客戶投訴管理辦法》) and the Implementation Rules for Handling of Customer Complaints in Securities Brokerage Business (《經紀業務客戶投訴處理實施細則》) to regulate the handling of customer complaints and improve the quality of customer service. The Company has maintained a smooth customer complaint channel, and customers can make complaints through telephone complaints, written complaints, on-site complaints and petition complaints. In principle, the business department is required to settle all types of complaints distributed by the headquarters within 3 days.

In terms of intellectual property protection, the Company attaches great importance to the maintenance and protection of intellectual property rights, and strictly complied with relevant laws and regulations, including the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》), the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》) and Regulations on Protection of Computer Software (《電腦軟體保護條例》). The Company also formulated rules and regulations on intellectual property rights such as the Trademark Management (《商標管理辦法》) and the Measures on New Media Management (《新媒體管理辦法》) to regulate the use and protection of the “CSC” trademark and management of the copyright ownership of the content of new media platforms to ensure the business of the Company is legal and compliant.

In terms of information security and privacy protection, the Company attached great importance to information security and customer privacy protection, so as to strictly comply with relevant laws and regulations, including the Regulations of the People’s Republic of China for Safety Protection of Computer Information System (《中華人民共和國電腦資訊系統安全保護條例》), Measures on the Administration of Client Identity Identification and Client ID Information and Transaction Recording of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》), and established a sound information security and privacy protection mechanism. The Information Technology Governance Committee (IT Governance Committee) was established by the Executive Committee of the Company as the highest agency responsible for the information security work of the Company.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

The Company formulated the Management System of Data Governance (《數據管控管理制度》) to regulate data types, confidentiality levels, backup, utilization, and modification; formulated the Protection Management System of Personal Information (《個人資訊保護管理制度》), Administrative Measures on Information Confidentiality for Branch Customer (《分支機構客戶資訊保密管理辦法》) and Privacy Policy (《隱私政策》) to regulate the collection, storage, transmission, utilization, sharing, transfer, and deletion of customers' personal information. The Company also formulated an access control strategy with minimum authorization for employees to fully protect the security of customers' personal information and prevent the leakage of customers' personal information.

In 2021, the Company found no customer information and privacy leaks.

Indicators	Unit	2021	2020	2019
Number of service-related complaints	–	83	203	390
Number of product-related complaints	–	0	0	0
Complaint resolution rate	%	100	100	100

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

3.6 Anti-money Laundering and Anti-corruption

The Company has strictly complied with relevant laws and regulations, including the Securities Law, the Securities Investment Fund Law (《證券投資基金法》) Law on Anti-money Laundering (《反洗錢法》), Measures on Supervision and Administration of Anti-Money Laundering by Financial Institutions (Trial) (《金融機構反洗錢監督管理辦法(試行)》) and Several Provisions on Honest Business Conduct for Leaders of State-owned Enterprises (《國有企業領導人員廉潔從業若干規定》), formulated the systems including Measures for Internal Control of Anti-money Laundering and Anti-terrorist Financing (《反洗錢和反恐怖融資內部控制辦法》), Provisions on Honest Business of Employees (《工作人員廉潔從業規定》), so as to establish and improve the Company's internal control system for anti-money laundering, and comprehensively identify, evaluate and monitor money laundering risks in related businesses. The Company attaches great importance to the cultivation of the professional ability of anti money laundering staff. In the whole year, the Company organized more than 1,400 anti-money laundering business trainings, participated in nearly 300 external trainings, and the total number of participants in internal and external trainings exceeds 30,000 employees.

The Company has formulated the Administrative Measures for the Reporting of Violation Behavior (《違規行為舉報管理辦法》) to encourage employees to report suspected violations of laws and regulations, company rules and regulations, professional ethics or suspicious behaviors, and fully protect the personal information of the whistle-blowers. The disclosure of the name, unit and address of the whistle-blowers is strictly prohibited without permission. The Company requires that no department, institution or individual shall crack down on and retaliate against the whistle-blower with any cause, and the violator shall be treated in accordance with the relevant penalties.

The Company has strengthened the identification and control of integrity risks, established an integrity risk management mechanism, conducted scientific and systematic integrity risk assessments, identified integrity risk points, strengthened position checks and balances and internal supervision mechanisms to ensure effective operation. The Company has strengthened the construction of integrity culture, and promoted anti-corruption and integrity publicity and education through special training on integrity, visiting education bases, inspecting integrity knowledge, and signing integrity commitments. During the year, the Company carried out training on business ethics, employee code of conduct and other topics, with a total of 146 training activities on compliance and code of conduct. A total of 10,207 employees participated in training and education on integrity, effectively strengthening the awareness of employees to abide by laws and regulations and to practice integrity.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

In 2021, there were zero major violations or legal cases regarding corruption or fraud at the Company.

Indicators	Unit	2021	2020
Number of concluded legal cases regarding corrupt practices brought against the Company or employees	–	0	0
Number of employee compliance and code of conduct training activities	–	146	105
Number of training participants in employee compliance and code of conduct training activities	0'000 times	8.85	3.77

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

3.7 Community Investment

China fulfilled its corporate social responsibility, actively carried out various public welfare and charity activities, comprehensively promoted rural revitalization, and contributed to the construction of an ecological civilization society. In 2021, the total amount of external donations was RMB24,999,400 (excluding consumption-driven poverty alleviation).

In 2021, the Company continued to respond to the national call, actively implemented the national rural revitalization strategy, and carried out in-depth work in consolidating the poverty alleviation achievements of “One Company One County” and using professional services to help rural revitalization through financial assistance, industrial assistance, intellectual assistance and other methods. During the year, the Company underwrote 4 poverty alleviation bonds with a total underwriting scale of RMB1,269,000,000; underwrote 13 rural revitalization bonds of 5 issuers with a total underwriting scale of RMB2,033,000,000, injecting strong financial strength into rural revitalization.

The Company actively participated in social welfare donations and volunteer activities. During the year, the Company donated RMB10,000,000 to help flood control, disaster relief and post-disaster reconstruction in Henan, carried out charity donations and community service activities, and sent care to groups in need.

Indicators	Unit	2021	2020	2019
Total public welfare expenditure	RMB'0000	2,499.94	2,996.57	682.59
Including: Assistance	RMB'0000	1,199.94	1,944.08	675.31
Charitable donation	RMB'0000	1,200	1,052.49	4.28
Educational aid	RMB'0000	100	–	3

4. CORPORATE GOVERNANCE

4.1 Optimization of Governance Structure

As a company dual-listed in China and Hong Kong, CSC earnestly implemented the provisions of relevant laws, regulations and regulatory documents, including the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, the Rules for Governance of Securities Companies, Code of Corporate Governance for Listed Companies, and continued to promote the establishment of a corporate governance system. The Company owns a solid and comprehensive corporate governance structure comprising the general meeting, the Board, the Supervisory Committee and the Executive Committee of the Company with clearly defined responsibilities among the organ of power, the decision-making body, the supervision body and the operation and management., which is conducive to improving the Company's governance efficiency.

In addition, the Board of the Company established the Development Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee, and also developed rules of procedures for these committees and clearly defined the working responsibilities, rules of procedures and working system of each special committee to give full play to their functions.

During the Reporting Period, the Company strictly complied with the Corporate Governance Code and Corporate Governance Report (hereinafter referred to as the "Code") in Appendix 14 of the Hong Kong Listing Rules, fully followed all the code provisions in the Code, and at the same time met the requirements of most recommended best practice provisions set out in the Code.

In terms of the nomination and appointment of committee members of the Board and the Supervisory Committee, the Company insisted on the basis of the skills and experience required for the overall sound operation of the Board and the Supervisory Committee, and considered the diversified goals and requirements of the Board and the Supervisory Committee, considering the diversity of members of the Board and the Supervisory Committee in terms of professional experience, skills, knowledge, terms of service, region, culture, educational background, gender and age.

In terms of the training of members of the Board and the Supervisory Committee, in order to meet the requirements of regulatory authorities for the follow-up training of directors and supervisors of listed companies, and to strengthen the understanding of directors and supervisors on the securities industry and the Company, a total of 16 training sessions were conducted for Board members during the year, with a total of more than 347 training hours for directors and supervisors.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (Continued)

4.2 Investor Communication

The Company continued to optimize the investor's interactive communication mechanism. In addition to the general meetings and the information disclosure channels required by law, the Company also provided multiple communication channels including hotline, email, online platform, reception of visits, investor conference calls and meetings, so as to respond to investors' demands, consultations and suggestions in a timely manner, and strive to establish a long-term and stable relationship with investors.

The Company regularly introduced the Company's development status and answered shareholders' concerns through convening general meetings and holding performance briefings; through daily maintenance of investor hotlines, investor emails and the "SSE E-interaction" online platform, the Company provided more convenient and efficient services for investors to understand the Company. In 2021, a total of 3 investor exchange meetings, 3 analyst surveys, 110 investor relations hotline inquiries, and more than 100 SSE E-interaction questions were conducted. The Company was rated grade A, the highest grade in the "Evaluation of Information Disclosure of Listed Companies in 2020–2021" on the Shanghai Stock Exchange.

Independent Auditor's Report

To the Shareholders of CSC Financial Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of CSC Financial Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 265 to 436, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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

Independent Auditor's Report (Continued)

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“the IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarized as follows:

- Consolidation of structured entities
- Expected credit impairment allowance of Margin accounts, Financial assets held under resale agreements and Financial assets at fair value through other comprehensive income (debt instruments)
- Valuation of financial instruments measured at fair value and classified as Level 3

Independent Auditor's Report (Continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Consolidation of structured entities

Refer to Note 2.3, 3.2(5) and 48 to the consolidated financial statements.

The Group acted as asset manager for, or invested in, a number of investment funds and asset management plans which were structured entities. Management made significant judgements when concluding on whether the Group controlled, and therefore should consolidate these structured entities.

Management has determined that the Group had control of certain structured entities based on their assessment of: i) the Group's power over the entities; ii) its exposure to variable returns from its involvement with those entities; and iii) its ability to use its power to affect the amount of its returns from these structured entities. Those structured entities over which Management has concluded the Group had control have been consolidated and their aggregated total assets were RMB3,507.50 million as at 31 December 2021.

The significant judgements exercised by Management in assessing whether the Group had control over the structured entities and the amount of structured entities managed or invested by the Group resulted in this matter being identified as a key audit matter.

We obtained an understanding of the management's internal control and assessment process of the consolidation assessment of structured entities, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.

We evaluated and tested the effectiveness of the design and operation of the Group's internal controls related to the consolidation assessment of structured entities, including the judgement of power, the calculation of variable returns, and the consolidation scope and results.

We read a sample of the contracts from the Group's asset management and investment portfolio to assess: i) the extent of power the Group had over its structured entities; ii) the Group's exposure or rights to variable returns from its involvement with those structured entities; and iii) the relationship between the Group's power and returns with respect to the structured entities.

We selected a sample of Management's calculations of the Group's exposure or rights to variable returns from its involvement with the structured entities. We then traced the data used in these calculations back to the related contracts and other materials, and re-performed the calculations to test their accuracy.

Based on the audit procedures performed above, the judgements of consolidating structured entities made by Management were considered acceptable.

Independent Auditor's Report (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Expected credit impairment allowance of Margin accounts, Financial assets held under resale agreements and Financial assets at fair value through other comprehensive income (debt instruments)</p> <p>Refer to Notes 3.1(5), 3.2(1), 13, 23, 24, 28 and 53.1 to the consolidated financial statements.</p> <p>As at 31 December 2021, the Group recognized the following financial assets in its consolidated statement of financial position:</p> <ul style="list-style-type: none">• Margin accounts amounted to RMB58,988.05 million with a credit loss allowance of RMB1,179.90 million;• Financial assets held under resale agreements amounted to RMB19,663.58 million with a credit loss allowance of RMB641.83 million;• Financial assets at fair value through other comprehensive income (debt instruments) amounted to RMB48,260.54 million with a credit loss allowance of RMB431.09 million. <p>The credit impairment reversals for the aforesaid financial assets recognized in the Group's consolidated income statement for the year ended 31 December 2021 amounted to RMB308.48 million.</p>	<p>We obtained an understanding of the management's internal control and assessment process of expected credit impairment allowance of margin accounts, financial assets held under resale agreements, financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.</p> <p>We understood, evaluated and tested the Group's internal controls relating to the measurement of ECL, primarily including:</p> <ol style="list-style-type: none">(1) Governance over ECL models, including the selection and approval of modelling methodology; and the ongoing monitoring and optimization of the models;(2) Significant management judgements and assumptions, including the judgement of model selections, parameters estimation, significant increase in credit risk ("SICR"), defaults and credit-impaired, and the approval of forward-looking measurements;(3) Internal controls over the accuracy and completeness of key inputs used by the models;(4) Internal controls relating to estimated future cash flows for the financial assets classified under Stage 3.

Independent Auditor's Report (Continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Management applied a three – stage impairment model to calculate their ECL. For such financial assets classified under Stages 1 and 2, Management assessed credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including probability of default, loss given default and exposure at default. For credit-impaired financial assets classified under Stage 3, Management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets.

The measurement model for ECL involves significant management judgements and assumptions for each type of product and investment, primarily including the following:

- (1) Selection of the appropriate models and determination of relevant key measurement parameters;
- (2) Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- (3) Determination of forward-looking measurements and weightings; and
- (4) The estimated future cash flows for the financial assets classified under Stage 3.

The Group has established governance processes and controls over the measurement of ECL.

We assessed the appropriateness of the modelling methodologies adopted for ECL measurement. We also examined the underlying coding for model measurement on a sample basis, to test whether or not the models reflect the modelling methodologies documented by the Management.

We examined key inputs used by the models, including related financial assets risk exposure, the value of the collateral of Margin accounts and Financial assets held under resale agreements, credit rating information of the debt instruments etc, on a sample basis.

We examined appropriateness of the management's application of SICR, defaults and credit impairment criteria on a sample basis, based on information such as the borrower's credit, guarantees and overdue days, etc.

For forward-looking measurements, we assessed the management's setting of economic scenarios and weightings, the selection of economic indicators and the reasonableness of the prediction of economic indicators by using statistical techniques. In addition, we performed sensitivity analysis of economic scenarios and weightings.

Independent Auditor's Report (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>For measuring ECL, the Group developed a number of complex models, adopted numerous parameters and data inputs, and applied significant management judgements and assumptions. In addition, the amounts involved were significant to the Group's consolidated financial statements. This led to this matter being identified as a key audit matter.</p>	<p>For financial assets classified under Stage 3, we examined, on a sample basis, the credit loss allowance calculated by Management with reference to information of borrowers, the latest collateral valuations and payback period, etc.</p> <p>Based on the audit procedures performed, we considered the models, key parameters, significant judgements and assumptions adopted by Management in the ECL measurement and the measurement result to be acceptable.</p>

Independent Auditor's Report (Continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of financial instruments measured at fair value and classified as Level 3

Refer to Note 3.1(5)、3.2(3)、22、23、30、36 and 52(1)、(2)、(3) to the consolidated financial statements.

As at 31 December 2021, the Group's financial instruments included those classified under Level 3 in the fair value hierarchy ("Level 3 Financial Instruments"), which were measured using valuation techniques that involve significant unobservable inputs. Such inputs included liquidity discount, price to book ratio and volatility of underlying assets, etc. The amounts of Level 3 financial assets and financial liabilities as at 31 December 2021 were RMB11,056.53 million and RMB9,003.84 million, respectively.

Valuation of the Level 3 Financial Instruments was a key area of audit focus due to the size of their amounts and the significant judgement and assumptions made by the management, including the selection of models and unobservable inputs used in the valuation process.

We obtained an understanding of the management's internal control and assessment process of the valuation of Level 3 Financial Instruments measured at fair value, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.

We evaluated the design and tested the operating effectiveness of the Group's relevant controls over data inputs to the Level 3 Financial Instruments valuation models and the ongoing monitoring and optimization of the models.

We evaluated the appropriateness of the models used by management for the valuation of Level 3 Financial Instruments based on those used in current industry practice.

We also evaluated on a sample basis the accuracy of the observable inputs and the reasonableness and appropriateness of the unobservable inputs used for measuring the fair value of Level 3 Financial Instruments with reference to relevant market data.

We performed an independent valuation and sensitivity analysis of the Level 3 Financial Instruments on a sample basis.

Based on the results of our procedures performed above, we considered the models and parameters adopted and the valuation estimated by the management to be acceptable.

Independent Auditor's Report (Continued)

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF 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 of these consolidated financial statements in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

Independent Auditor's Report (Continued)

- 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 this independent auditor's report is Siaw Jian Chern.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2022

Consolidated Income Statement

For the year ended 31 December 2021
(In RMB thousands, unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
Revenue			
Fee and commission income	6	15,357,591	13,624,258
Interest income	7	8,984,511	7,103,653
Net investment gains	8	8,024,083	8,673,322
		<u>32,366,185</u>	<u>29,401,233</u>
Other income	9	6,666,772	1,318,892
Total revenue and other income		<u>39,032,957</u>	<u>30,720,125</u>
Fee and commission expenses	10	(1,920,970)	(1,599,870)
Interest expenses	10	(7,234,074)	(5,772,932)
Staff costs	10	(7,851,617)	(6,436,296)
Tax and surcharges		(167,801)	(156,047)
Other operating expenses and costs	10	(9,106,393)	(3,244,948)
Credit impairment reversals/(losses)	13	297,871	(1,318,850)
Impairment losses on other assets		(31,291)	(77,324)
Total expenses		<u>(26,014,275)</u>	<u>(18,606,267)</u>
Operating profit		<u>13,018,682</u>	<u>12,113,858</u>
Share of profits and losses of associates		2,144	11,865
Profit before income tax		<u>13,020,826</u>	<u>12,125,723</u>
Income tax expense	14	(2,785,762)	(2,589,038)
Profit for the year		<u>10,235,064</u>	<u>9,536,685</u>
Attributable to:			
Equity holders of the Company		10,238,704	9,509,429
Non-controlling interests		(3,640)	27,256
		<u>10,235,064</u>	<u>9,536,685</u>
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB yuan per share)			
– Basic and diluted	16	1.25	1.20

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2021	2020
Profit for the year	10,235,064	9,536,685
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent years		
Net gains on investments in debt instruments measured at fair value through other comprehensive income	644,576	190,485
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	13,358	(151,015)
Income tax relating to these items	(163,450)	(8,546)
	494,484	30,924
Share of other comprehensive income of associates	25	9
Foreign currency translation differences	(58,698)	(100,171)
Items that will not be reclassified subsequently to profit or loss		
Net (losses)/gains on investments in equity instruments designated as at fair value through other comprehensive income	(105,282)	69,843
Income tax relating to these items	37,536	(17,958)
	(67,746)	51,885
Other comprehensive income/(loss) for the year, net of tax	368,065	(17,353)
Total comprehensive income for the year	10,603,129	9,519,332
Attributable to:		
Equity holders of the Company	10,606,769	9,492,076
Non-controlling interests	(3,640)	27,256
	10,603,129	9,519,332

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

(In RMB thousands, unless otherwise stated)

	Note	31 December 2021	31 December 2020
Non-current assets			
Property, plant and equipment	17	701,008	572,287
Right-of-use assets	18	1,822,761	996,674
Investment properties		49,146	56,133
Intangible assets	19	519,133	360,478
Investment in associates	21	111,002	229,286
Financial assets at fair value through profit or loss	22	7,576,009	6,015,508
Financial assets at fair value through other comprehensive income	23	–	3,225,144
Financial assets held under resale agreements	24	9,906	1,348,317
Refundable deposits	25	10,395,629	8,740,991
Deferred tax assets	26	1,967,844	1,725,519
Other non-current assets	27	94,082	98,365
Total non-current assets		23,246,520	23,368,702
Current assets			
Margin accounts	28	57,808,146	46,515,175
Accounts receivable	29	23,075,172	8,018,153
Financial assets at fair value through profit or loss	22	153,971,907	132,640,140
Financial assets at fair value through other comprehensive income	23	48,358,146	44,871,712
Derivative financial assets	30	2,517,942	1,632,209
Financial assets held under resale agreements	24	19,011,848	14,768,886
Cash held on behalf of clients	31	88,118,755	70,268,389
Cash and bank balances	32	36,002,716	28,580,085
Other current assets	33	680,274	564,692
Total current assets		429,544,906	347,859,441
Total assets		452,791,426	371,228,143

Consolidated Statement of Financial Position (Continued)

As at 31 December 2021

(In RMB thousands, unless otherwise stated)

	Note	31 December 2021	31 December 2020
Current liabilities			
Accounts payable to brokerage clients	34	93,082,812	74,710,488
Lease liabilities	35	444,289	323,956
Derivative financial liabilities	30	4,295,326	2,424,620
Financial liabilities at fair value through profit or loss	36	2,345,498	347,466
Financial assets sold under repurchase agreements	37	99,595,667	84,512,239
Placements from banks and other financial institutions	38	8,528,656	9,035,700
Taxes payable	39	1,486,151	1,393,426
Short-term borrowings	40	987,374	625,174
Short-term financing instruments payable	41	18,290,179	42,296,044
Other current liabilities	42	75,365,016	34,497,643
Total current liabilities		<u>304,420,968</u>	<u>250,166,756</u>
Net current assets		<u>125,123,938</u>	<u>97,692,685</u>
Total assets less current liabilities		<u>148,370,458</u>	<u>121,061,387</u>
Non-current liabilities			
Financial liabilities at fair value through profit or loss	36	5,454,391	1,248,263
Bonds in issue	43	60,020,192	50,016,307
Lease liabilities	35	1,359,022	655,308
Deferred tax liabilities	26	1,525,316	1,065,416
Other non-current liabilities		5,253	4,646
Total non-current liabilities		<u>68,364,174</u>	<u>52,989,940</u>
Net assets		<u>80,006,284</u>	<u>68,071,447</u>

Consolidated Statement of Financial Position (Continued)

As at 31 December 2021

(In RMB thousands, unless otherwise stated)

	Note	31 December 2021	31 December 2020
Equity			
Share capital	44	7,756,695	7,756,695
Other equity instruments	45	14,937,500	9,961,509
Reserves	46	31,323,286	27,940,854
Retained earnings		25,800,975	22,076,125
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		79,818,456	67,735,183
Non-controlling interests		187,828	336,264
		<hr/>	<hr/>
Total equity		80,006,284	68,071,447

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 30 March 2022.

Wang Changqing

Chairman

Li Geping

Executive Director and General Manager

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

	Attributable to equity holders of the Company											
	Note	Reserves								Subtotal	Non-controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings			
At 1 January 2021		7,756,695	9,961,509	12,490,667	4,524,647	10,548,880	286,290	90,370	22,076,125	67,735,183	336,264	68,071,447
Profit for the year		-	-	-	-	-	-	-	10,238,704	10,238,704	(3,640)	10,235,064
Other comprehensive income for the year		-	-	-	-	-	426,763	(58,698)	-	368,065	-	368,065
Total comprehensive income for the year		-	-	-	-	-	426,763	(58,698)	10,238,704	10,606,769	(3,640)	10,603,129
Capital injected by equity holders												
- Capital injected by other equity instrument holders	45	-	4,975,991	-	-	-	-	-	-	4,975,991	-	4,975,991
- Others		-	-	(43,041)	-	-	-	-	-	(43,041)	(133,969)	(177,010)
Appropriation to surplus reserves	46	-	-	-	1,114,925	-	-	-	(1,114,925)	-	-	-
Appropriation to general reserves	46	-	-	-	-	1,965,293	-	-	(1,965,293)	-	-	-
Dividends - 2020	15	-	-	-	-	-	-	-	(2,908,761)	(2,908,761)	-	(2,908,761)
Distribution to other equity instrument holders	15	-	-	-	-	-	-	-	(547,685)	(547,685)	-	(547,685)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(4,490)	(4,490)
Others		-	-	-	(22,810)	-	-	-	22,810	-	(6,337)	(6,337)
At 31 December 2021		<u>7,756,695</u>	<u>14,937,500</u>	<u>12,447,626</u>	<u>5,616,762</u>	<u>12,514,173</u>	<u>713,053</u>	<u>31,672</u>	<u>25,800,975</u>	<u>79,818,456</u>	<u>187,828</u>	<u>80,006,284</u>

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2021
(In RMB thousands, unless otherwise stated)

	Attributable to equity holders of the Company											
	/Note	Reserves							Retained earnings	Subtotal	Non-controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve				
At 1 January 2020		7,646,385	9,980,698	8,753,213	3,573,328	8,691,508	203,472	190,541	17,542,774	56,581,919	312,815	56,894,734
Profit for the year		-	-	-	-	-	-	-	9,509,429	9,509,429	27,256	9,536,685
Other comprehensive income for the year		-	-	-	-	-	82,818	(100,171)	-	(17,353)	-	(17,353)
Total comprehensive income for the year		-	-	-	-	-	82,818	(100,171)	9,509,429	9,492,076	27,256	9,519,332
Capital injected by equity holders												
- Issuance of A shares	44	110,310	-	3,737,454	-	-	-	-	-	3,847,764	-	3,847,764
- Capital injected by other equity instrument holders	45	-	(19,189)	-	-	-	-	-	-	(19,189)	-	(19,189)
Appropriation to surplus reserves	46	-	-	-	951,319	-	-	-	(951,319)	-	-	-
Appropriation to general reserves	46	-	-	-	-	1,857,372	-	-	(1,857,372)	-	-	-
Dividends - 2019	15	-	-	-	-	-	-	-	(1,796,901)	(1,796,901)	-	(1,796,901)
Distribution to other equity instrument holders	15	-	-	-	-	-	-	-	(370,486)	(370,486)	-	(370,486)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(3,807)	(3,807)
At 31 December 2020		7,756,695	9,961,509	12,490,667	4,524,647	10,548,880	286,290	90,370	22,076,125	67,735,183	336,264	68,071,447

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2021	2020
Cash flows from operating activities		
Profit before income tax	13,020,826	12,125,723
Adjustments for:		
Interest expenses on bonds in issue, short-term financing instruments payable, borrowings and lease liabilities	3,854,544	3,343,280
Dividend income and interest income from financial assets at fair value through other comprehensive income	(1,791,380)	(1,314,437)
Net gains from disposal of financial assets at fair value through other comprehensive income	(111,527)	(403,282)
Net gains from disposal of subsidiaries and associates	(556,091)	–
Share of profits/losses from associates and joint ventures	(2,144)	(11,865)
Net losses/(gains) on disposal of property, plant, equipment and other assets	1,494	(237)
Revaluation gains on financial instruments at fair value through profit or loss	(931,436)	(1,049,174)
Net foreign exchange losses	33,122	16,471
Depreciation and amortization	746,538	644,150
Credit impairment (reversals)/losses	(297,871)	1,318,850
Impairment losses on other assets	31,291	77,324
	<u>13,997,366</u>	<u>14,746,803</u>
Net changes in operating assets		
Margin accounts	(10,995,679)	(18,529,559)
Financial assets at fair value through profit or loss	(21,787,293)	(44,646,486)
Cash held on behalf of clients	(17,774,268)	(17,551,464)
Financial assets held under resale agreements	(2,472,616)	4,000,259
Other operating assets	(16,280,617)	(12,750,403)
	<u>(69,310,473)</u>	<u>(89,477,653)</u>

Consolidated Statement of Cash Flows (Continued)

*For the year ended 31 December 2021
(In RMB thousands, unless otherwise stated)*

	Year ended 31 December	
	2021	2020
Net changes in operating liabilities		
Accounts payable to brokerage clients	18,372,325	20,084,752
Financial liabilities at fair value through profit or loss	6,134,556	396,931
Financial assets sold under repurchase agreements	15,035,548	29,020,165
Placements from banks and other financial institutions	(500,000)	(240,000)
Other operating liabilities	12,230,683	(10,475,940)
	51,273,112	38,785,908
Net cash outflow from operating activities before tax	(4,039,995)	(35,944,942)
Income tax paid	(2,614,851)	(2,362,925)
	(6,654,846)	(38,307,867)
Cash flows from investing activities		
Net cash flow from purchase or disposal of financial assets at fair value through other comprehensive income	223,625	(11,967,096)
Dividend income and interest income received from financial assets at fair value through other comprehensive income	1,779,281	1,010,653
Cash paid for purchase of property, plant and equipment, intangible assets and other assets	(620,361)	(432,774)
Net cash flow from investments in associates	413,243	(25,224)
Other cash flows from investing activities	985	2,243
	1,796,773	(11,412,198)
Net cash inflow/(outflow) from investing activities		

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2021	2020
Cash flows from financing activities		
Cash inflows from perpetual bonds	5,000,000	5,000,000
Cash inflows from issuance of A shares	–	3,884,000
Cash inflows from borrowing activities	26,794,483	21,634,588
Cash inflows from issuing bonds	153,316,326	166,509,294
Cash outflows from dividend distribution to ordinary shareholders	(2,908,761)	(1,796,901)
Cash outflows from distribution to other equity instrument holders	(417,500)	(516,500)
Cash outflows from distribution to subsidiaries' non-controlling equity holders	(10,827)	(3,807)
Repayments of interest on debts	(3,179,295)	(3,321,880)
Repayments of debts	(165,285,731)	(154,921,466)
Repayments of perpetual bonds	–	(5,000,000)
Other cash outflows from financing activities	(797,112)	(642,465)
Net cash inflow from financing activities	12,511,583	30,824,863
Net change in cash and cash equivalents	7,653,510	(18,895,202)
Cash and cash equivalents at the beginning of the year	27,765,499	46,935,568
Effect of exchange rate changes on cash and cash equivalents	(183,657)	(274,867)
Cash and cash equivalents at the end of the year (Note 47)	35,235,352	27,765,499

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

1 GENERAL INFORMATION

CSC Financial Co., Ltd. (the “Company”) (formerly known as China Securities Finance Co., Ltd.) is the successor entity of China Securities Finance Limited Liability Company which was approved for establishment by the China Securities Regulatory Commission (the “CSRC”) on 2 November 2005. The original registered capital of the Company was RMB2,700,000,000. The registered address of the Company is Unit 4, No.66 Anli Road, Chaoyang District, Beijing, the People’s Republic of China (the “PRC”).

The Company received the approval of CSRC on 30 June 2011 to convert into a joint stock company, with registered capital increased to RMB6,100,000,000.

The Company completed its initial public offering of overseas listed foreign shares (“H shares”) on The Stock Exchange of Hong Kong Limited on 9 December 2016. Under this offering, the Company issued a total of 1,076,470,000 new shares with a nominal value of RMB1 per share. On 5 January 2017, the Company issued an additional 69,915,238 H shares through partial exercise of the over-allotment option with a nominal value of RMB1 per share. The registered capital of the Company increased to RMB7,246,385,238 after such issuance. The Company completed the industrial and commercial registration for these changes on 5 June 2017, and obtained its new business license with the Unified Social Credit Code of 91110000781703453H on 9 June 2017.

The Company completed its initial public offering of domestic listed shares (“A shares”) on the Shanghai Stock Exchange on 20 June 2018. The Company issued a total of 400,000,000 shares with a nominal value of RMB1 per share. After this issuance, the share capital of the Company increased to RMB7,646,385,238. The Company completed the registration procedure for its non-public offering of A-shares in the Shanghai branch of China Securities Depository and Clearing Co., Ltd. on 28 December 2020. The Company issued a total of 110,309,559 shares with a nominal value of RMB1 per share. After this issuance, the share capital of the Company increased to RMB7,756,694,797. And the company completed the registration procedures for the change of business license related to the registered capital on 25 June 2021.

The principal activities of the Company and its subsidiaries (collectively, the “Group”) include securities brokerage, financial advisory relating to securities trading and securities investment activities, securities underwriting and sponsoring, proprietary trading and investment of securities, securities asset management, agency sale of securities investment funds, introducing brokerage for futures companies, margin financing and securities lending services, agency sale of financial products, market-making of stock options, custodian services for securities investment funds, and sale of precious metal products, commodity futures brokerage, financial futures brokerage and asset management, equity investment and corporate management services, investment management, raising and management of investment funds, investment management of equity investment, investment consulting, project consulting.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as issued by the International Accounting Standards Board (“IASB”). 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 and by the Hong Kong Companies Ordinance (Cap.622).

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets/liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, which have been measured at fair value, as further explained in the respective accounting policies below. The consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Amendments to the accounting standards effective in 2021 and adopted by the Group

- (1) Amendments to IFRS 9, IAS 39, Interest Rate Benchmark Reform – Phase 2.
IFRS 7, IFRS 4, and IFRS 16

1) *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16: Interest Rate Benchmark Reform (“IBOR Reform”) – Phase 2*

The Phase 2 amendments introduce a practical expedient if a change results directly from IBOR Reform and occurs on an ‘economically equivalent’ basis. In these cases, changes will be accounted for by updating the effective interest rate and will not result in gain or loss in the income statement. These amendments also provide reliefs that are exceptions of normal hedge relationship requirements. For example, a company will not need to discontinue existing hedging relationships because of changes to hedge documentation required solely by IBOR Reform.

There were no significant impacts from the amendments above on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group

The Group has not adopted the following new and amended standards that have been issued but are not yet effective.

			Effective for annual periods beginning on or after
(1)	Amendments to IAS 1	Classification of Liabilities	1 January 2024
(2)	Amendments to IFRS 17	Insurance Contracts	1 January 2023
(3)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted.
(4)	Amendments to IAS 1, IFRS Practice Statement 2 and IAS 8	Disclosure of Material Accounting Policy Information, and Distinction of Changes in Accounting Policies from Changes in Accounting Estimates	1 January 2023

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group (Continued)

		Effective for annual periods beginning on or after
(5)	Amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
(6)	Amendments to IFRS 3 Business Combinations	1 January 2022
(7)	Amendments to IAS 16 Property, Plant and Equipment	1 January 2022
(8)	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
(9)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 IASB Annual Improvements 2018–2020 cycle	1 January 2022

1) **Amendments to IAS 1: Classification of Liabilities**

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The entity should assess the existence of the right on the reporting date, whether the right will be enforced is out of consideration. The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group (Continued)

2) *Amendments to IFRS 17: Insurance Contracts*

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognized as revenue over the coverage period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The Group anticipates that the adoption of these amendments will not have any impact on the Group’s consolidated financial statements.

3) *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group (Continued)

4) ***Amendments to IAS 1, IFRS Practice Statement 2 and IAS 8: Disclosure of Material Accounting Policy Information, and Distinction of Changes in Accounting Policies from Changes in Accounting Estimates***

Amendments to IAS1 require companies to disclose their material accounting policy information rather than their significant account policies and provide a definition of material accounting policy information. Amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

5) ***Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction***

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

6) ***Amendments to IFRS 3: Business Combinations***

Amendments to IFRS 3: 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group (Continued)

7) Amendments to IAS 16: Property, Plant and Equipment

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

8) Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

9) Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: IASB Annual Improvements 2018–2020 cycle

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The accounting policies and accounting period of the Company and its subsidiaries are consistent.

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group assesses whether it has power over an investee, the Group's voting rights or potential voting rights and other contractual arrangements are considered.

Income or expenses resulted from acquisition or disposal of subsidiaries, from the date on which the Company obtains control to the date on which the Company ceases its control over subsidiaries, are in the scope of consolidation. Intra-group assets and liabilities, equity, income, expenses, and cash flow which are relevant to all intra-group transactions occurred should be eliminated on consolidation.

A portion of equity over subsidiaries and profit or loss which does not belong to the Company should be treated as non-controlling interests. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the Company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Significant accounting policies

(1) Accounting period

The accounting year starts on 1 January and ends on 31 December.

(2) Functional and presentation currency

The Company's functional and presentation currency is RMB.

Each entity in the Group determines its own functional currency according to its economic situation. The functional currency is denominated in RMB in the consolidated financial statements.

(3) Cash and cash equivalents

Cash comprises cash on hand and demand deposits which are not restricted as to use.

Cash equivalents comprise short term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(4) Foreign currency transactions and foreign currency translation

The Group adopts the sub-account system to record foreign currency transactions. Foreign currency transactions are initially recorded on the original currency respectively at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing functional currency exchange rates at the end of the reporting period. The exchange rate is the central parity rate quoted by the People's Bank of China or authorized bodies. All differences are taken to the consolidated income statement. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions.

The assets and liabilities of foreign operation subsidiaries denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of reporting period for consolidated financial statements. The equity items, excluding "retained earnings", are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the rates that approximate the spot exchange rates. The exchange differences resulting from foreign currency financial statement translation of subsidiaries are recognized in other comprehensive income ("OCI") and accumulated in the foreign exchange translation reserve. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) Financial instruments

(a) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

Financial assets are classified on the basis of the Group's business model for managing the assets and the cash flow characteristics of the assets in the following measurement categories: (i) Amortized cost; (ii) Fair value through other comprehensive income ("FVOCI"); (iii) Fair value through profit or loss ("FVPL").

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(a) *Initial recognition, classification and measurement of financial instruments* (Continued)

Financial assets (Continued)

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(a) *Initial recognition, classification and measurement of financial instruments* (Continued)

Financial assets (Continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments assets and equity instruments assets are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government bonds, corporate bonds and subordinated bonds. Classification and subsequent measurement of debt instruments depend on: (i) the Group's business model for managing the asset; and (ii) the cash flow characteristics of the asset.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(a) *Initial recognition, classification and measurement of financial instruments* (Continued)

Financial assets (Continued)

Debt Instruments (Continued)

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- (i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI and that are not designated as at FVPL, are measured at amortized cost.
- (ii) Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI and that are not designated as at FVPL, are measured at FVOCI.
- (iii) Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(a) *Initial recognition, classification and measurement of financial instruments* (Continued)

Financial assets (Continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities at FVPL, which is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition.

Contingent liabilities recognized by buyers should be measured as FVPL under business combination for entities owned by different ultimate shareholders.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(a) *Initial recognition, classification and measurement of financial instruments* (Continued)

Financial liabilities (Continued)

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch'); (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

(b) *Reclassification of financial assets*

When the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(c) *Subsequent measurement of financial instruments*

Subsequent measurement of financial instruments depends on the categories:

Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and; (iii) for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses (“ECL”) and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired (“POCI”) financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(c) *Subsequent measurement of financial instruments* (Continued)

Amortized cost (Continued)

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for: (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(c) *Subsequent measurement of financial instruments* (Continued)

Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income (“OCI”), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument’s amortized cost which are recognized in profit or loss.

Equity instruments

The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss when 1) the Group’s right to receive payments is established, 2) it is probable that future economic benefits associated with the item will flow to the Group, 3) the amounts of the dividends can be measured reliably.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(c) *Subsequent measurement of financial instruments* (Continued)

Financial assets at fair value through profit or loss

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within “Net investment gains” in the period in which it arises.

Equity instruments

Gains and losses on equity investments at FVPL are included in the “Net investment gains” in the consolidated income statement.

Financial liabilities at fair value through profit or loss

Gains or losses on financial liabilities designated as at FVPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in profit or loss. The gains and losses from financial liabilities including the effects of credit risk variance should be recognized in current profit and loss by the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(d) *Fair value of financial instruments*

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. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of market approach, income approach and cost approach. When using valuation techniques, unobservable market inputs would not be used unless relevant observable inputs are not available or not practicable to access.

Default Valuation Adjustments (DVA) are applied to the Group's financial liabilities at fair value through profit or loss, and assumes that DVA stay the same before and after the transfer of the liability. DVA refer to risk that enterprises fail to perform the obligation, including but not limited to their own credit risk.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(d) *Fair value of financial instruments* (Continued)

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets and financial liabilities based on the inputs used when determining the fair value:

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

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

(e) *Impairment of financial assets*

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(e) *Impairment of financial assets* (Continued)

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures the ECL of a financial instrument reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL if the credit risk of that financial instrument has not increased significantly since initial recognition.

Stage 2: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(e) *Impairment of financial assets* (Continued)

Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

The Group applies the impairment requirements for the recognition and measurement of credit loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in OCI and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

The Group has measured the loss allowance for a financial instrument at an amount equal to the lifetime ECL in the previous reporting period, but determines to measure it at an amount equal to the next 12 months ECL at the current reporting date since the credit risk of that financial instrument has increased significantly since initial recognition is no longer met, and the amount of ECL reversal is recognized in profit or loss, except for POCI financial assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(f) *Derivative financial instruments*

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

The changes on fair value of derivative financial instruments are directly recognized in the consolidated income statement. The difference between fair value and carrying amount is recognized as investment income when disposing.

(g) *Derecognition of Financial Instruments*

A financial asset is derecognized, when one of the following criteria is satisfied: (i) the contractual rights to receive cash flows from the assets have expired; (ii) the Group has transferred substantially all the risks and rewards of ownership of the financial asset; (iii) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has not retained control.

When equity financial assets designated as at FVOCI are derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to retained earnings. When other financial assets are derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Net investment gains".

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(5) *Financial instruments* (Continued)

(g) *Derecognition of Financial Instruments* (Continued)

A financial liability is derecognized when it is wholly or partly extinguished, that is when the obligation is wholly or partly discharged. Fair value gains and losses are charged to profit or loss. When financial liabilities designated as at FVPL are derecognized, cumulative gains and losses are subsequently reclassified from other comprehensive income to retained earnings.

(h) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a current legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Otherwise, financial assets and financial liabilities are reported separately.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(6) Leases

(a) Initial measurement of the right-of-use asset and lease liability

Initial measurement of the right-of-use asset

The right-of-use asset is defined as the right of underlying assets in the lease term for the Group as a lessee. The lease term is defined as the non-cancellable period of the lease for the Group as a lessee.

At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, 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 (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(6) Leases (Continued)

(a) Initial measurement of the right-of-use asset and lease liability (Continued)

Initial measurement of the right-of-use asset (Continued)

Initial direct costs are defined as incremental costs. Incremental costs would not have been incurred if a lease had not been obtained.

Initial measurement of the lease liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lessee uses as the discount rate the interest rate implicit in the lease – this is the rate of interest that causes the present value of lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor.

The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(6) Leases (Continued)

(b) Subsequent measurement of the right-of-use asset and lease liability

Subsequent measurement of the right-of-use asset

At the commencement date, the Group as a lessee shall measure the right-of-use asset at cost and apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Subsequent measurement of the lease liability

After the commencement date, the Group shall recognise interest on the lease liability in profit or loss. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

(c) Recognition of short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months from the commencement date or less. Leases of low value assets are the underlying assets are of low value when new. The right-of-use asset and lease liability are not recognized by the Group for short-term leases and leases of low value assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(7) Reverse repurchase agreements and financial assets sold under repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as original financial assets before transferred. 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 reverse repurchase agreements, the related collateral accepted is not recognized in the consolidated financial statements.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortized over the period of the respective transaction using the effective interest method and is recognized through profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(8) Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to clients for purchase of securities, or lending of securities by the Group to clients for securities selling, for which the clients provide the Group with collateral.

The Group recognizes margin accounts at initial recognition, and recognizes interest income accordingly. Securities lent are not derecognized, but still accounted for as the original financial assets, and interest income is recognized accordingly.

Securities trading on behalf of margin financing and securities lending clients are accounted for as securities brokerage services.

(9) Fiduciary wealth management

The Group's fiduciary wealth management business includes targeted asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

(10) Associates

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(11) Investment properties

Investment properties comprise real estate properties for the purpose of earning rental income and/or for capital appreciation, including buildings that have been leased out.

The Group's investment properties are accounted for using the cost model. The initial recognition and subsequent measurement of buildings and properties that are leased out are accounted for using the same measurement and depreciation methods as those for property, plant and equipment.

(12) Property, plant and equipment

(a) Recognition criteria for property, plant and equipment

Property, plant and equipment refer to tangible assets held and controlled by the Group that the Group expects to use for more than one year for using in the supply of services or for administrative purpose. An asset is recognized as property, plant and equipment only if the following criteria are both satisfied:

- (i) It is highly probable that future economic benefits associated with the property, plant and equipment will flow to the Group;
- (ii) The cost of the asset can be measured reliably.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(12) Property, plant and equipment (Continued)

(b) Property, plant and equipment initially measured at cost

Cost of an item of purchased property, plant and equipment comprises purchase price, tax and any costs directly attributable to bringing the asset to the condition necessary for its intended use and it includes transportation costs, installation and assembly costs, and professional service fees.

Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance expenditure are recognized in the profit or loss as incurred. Depreciation of property, plant and equipment is calculated on the straight-line basis monthly.

Estimated useful life, depreciation rate and estimated residual value of each item of property, plant and equipment which are required by the operation of the Group are as follows:

Types of property plant and equipment	Estimated useful life	Monthly depreciation rate	Estimated residual value
Properties and buildings	35 years	2.262%	5%
Electronic devices	2 to 5 years	1.667%-4.167%	0%
Transportation vehicles	5 years	1.617%	3%
Communication equipment	5 years	1.617%	3%
Office equipment	3 years	2.778%	0%
Security equipment	5 years	1.617%	3%
Others	5 years	1.617%	3%

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(12) *Property, plant and equipment* (Continued)

(b) *Property, plant and equipment initially measured at cost* (Continued)

The years that the property, plant and equipment were already in use were excluded when determining the estimated useful lives of these types of the property, plant and equipment. The estimated useful life, the estimated residual value and the depreciation method of each type of the property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. Gains and losses on disposal of property, plant and equipment, the costs of disposal and taxes in connection with such disposal are considered in the determination of the estimated residual value.

(c) *Construction in progress*

Costs of construction in progress are determined based on the actual expenditure incurred which include all necessary expenditure incurred during the construction period, borrowing costs eligible for capitalization and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property, plant and equipment when such assets are ready for their intended use.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(13) Intangible assets

Intangible assets are recognized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably, and measured initially at cost. Intangible assets acquired from business combination and their fair value can be measured reliably are recognized as intangible assets individually and measured at their fair value as at date of combination.

Useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life.

Intangible assets with finite useful lives shall be amortized on a straight-line basis over the useful period. The useful lives and amortization method of the intangible assets with finite useful lives shall be reviewed by the Group at least at each financial year end, and adjusted as appropriate. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life, or there is an active market for the asset, where residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(13) *Intangible assets* (Continued)

Trading seat rights at Shanghai and Shenzhen Stock Exchanges are amortized over 10 years (subject to any changes in industry rules subsequently issued) and charged to the consolidated income statement. Outsourcing software is amortized over 5 years. Self-developed software, patents, non-patents, trade mark right, client relationship and other intangible assets are amortized over their useful lives.

Intangible assets with indefinite useful lives need to be assessed for impairment no matter if there is any impairment evidence. These assets need not to be amortized, and their useful lives shall be reviewed during every accounting period. If there is any evidence to support that the useful lives are definite, these intangible assets shall apply the policies of intangible assets with definite useful lives.

(14) *Long-term pre-paid expense*

Improvement expenses on property, plant and equipment under operating leases are amortized on a straight-line basis over the shorter of the contractual lease terms and 5 years, while long-term pre-paid expenses are amortized on a straight-line basis over their respective benefit periods but no longer than 10 years.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(15) Revenue

An entity should determine at contract inception whether control of a good or service is transferred over time or at a point in time. The determination should depict the transfer of benefits to the customer and should be evaluated from the customer's perspective.

An entity should first assess whether the performance obligation is satisfied with the following criteria over time. If not, the good or service transfers at a point in time.

- (i) The customer concurrently receives and consumes the benefits provided by the entity's performance as the entity performs.
- (ii) The entity's performance creates or enhances a customer-controlled assets.
- (iii) The entity's performance does not create an asset with an alternative use and the entity has a right to payment for performance completed to date.

Where performance of a single service contract takes place over time, revenue should be recognized as performance takes place, excluding the stage of performance cannot be determined.

An entity that cannot reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred, should recognize revenue only to the extent of the cost until a reliable measure of progress can be made.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(15) Revenue (Continued)

An entity will recognize revenue at a point in time (when control transfers) for performance obligation that meet the criteria for recognition of revenue at a point in time:

- Revenue from underwriting services is recognized when the control of the underwriting services is provided to the client. The revenue is usually recognized upon completion of the offering.
- Revenue from the securities brokerage services is recognized on the date of the securities transaction.
- Revenue from asset management services is recognized when management services are provided in accordance with the asset management contract.
- Revenues from other businesses, including investment banking advisory and sponsoring services are recognized when the contractual obligations are fulfilled.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(15) *Revenue* (Continued)

Interest income of debt investments at amortized costs and FVOCI, is measured by carrying amount and effective interest rate. Interest income of credit impaired financial assets are measured by amortized cost and effective interest rate. Net gains of holding period from financial investments at FVPL is measured as “Net investment gains”.

(16) *Income tax*

Income tax comprises current tax and deferred income tax. Current tax is the amount of current income tax payable calculated based on current taxable income. Taxable income is calculated based on the adjustment to the current year pre-tax accounting profit according to the applicable tax laws.

For current income tax liabilities or current income tax assets generated from the current and prior periods, the expected income tax payable or the income tax deduction is calculated according to the applicable tax laws.

The Group measures deferred income tax using the liability method on temporary differences arising between the carrying amount of an asset or liability at the end of the reporting period and its tax base.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(16) Income tax (Continued)

All taxable temporary differences are recognized as deferred income tax liabilities, except:

- (i) The deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- (i) The deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(16) *Income tax* (Continued)

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. When it is virtually probable that sufficient taxable income will be available, the reduced amount will be reversed accordingly.

Deferred tax assets and liabilities are offset:

- (i) when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities; and
- (ii) when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(17) Employee compensation

Employee compensation refers to all forms of consideration and other related expenditure given or incurred by the Group in exchange for services rendered by employees or compensate for the termination of labour contract. The compensation payable is recognized as liability in the accounting period of services provided by employee. The employee compensation comprises of short-term compensation, post-employment welfare, termination benefits, and other long-term employee welfares.

Short-term compensation comprises of staff salaries, bonus, allowances, and subsidies, as well as social insurance expenses including employee welfare, medical insurance charge, work-related injury insurance charge, and maternity insurance and also covers housing funds, labour union expenses, personnel education expenses, short-term paid leave, short-term profit-sharing plan, non-monetary welfare and other short-term compensations.

Post-employment welfare plans refer to agreements reached with employees or policies and measures established by the Group in relation to post-employment welfare. The defined contribution plans refer to post-employment welfare plans in which the Group pays contribution to an independent fund and the Group has no further payment obligation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(18) Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. When fair value cannot be reliably measured, they are recognized at nominal amount.

Government grants for purchasing, building or forming long-term assets in other methods stipulated in government documents are recognized as government grants related to assets. Judgements should be made based on the necessary basic conditions for obtaining the government grants when government documents are unclearly stated. Government grants with purchasing, building or forming long-term assets in other methods as basic condition are recognized as government grants related to assets, whereas the other grants are related to income.

Government grants related to income which are to compensate relevant expenditures or losses in future periods are recognized as deferred income and released into the consolidated income statement during the period when the expense incurs. Government grants that are to compensate the incurred expenses or losses are recognized into profit or loss directly. Government grants related to assets are recognized as deferred income, and released to profit or loss over the expected useful life of the relevant assets by equal annual instalments. Government grants measured at nominal amount are recorded in the consolidated income statement directly.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(19) Impairment

The Group assesses impairment of assets other than deferred tax assets and financial assets as follows:

The Group assesses at each financial reporting date whether there is any indication that assets are impaired. When any such indication exists, the Group estimates the recoverable amount and assesses impairment allowance. For goodwill acquired from business combination and intangible assets with indefinite useful life, no matter there is objective evidence of impairment or not, impairment should be assessed at each annual financial reporting date. Impairment for intangible assets not readily for use is also assessed annually.

The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on the basis of individual asset. When it is difficult to estimate the recoverable amount individually, the recoverable value of the cash generating units which the asset belongs to will be estimated. The recognition of a group of assets shall base on whether the main cash flow generated by the group of assets is independent from those generated by other assets or groups of assets.

When recoverable amounts of assets or groups of assets are lower than their carrying amounts, the Group reduces the carrying amount to recoverable amount. The reduced amounts are recognized in the consolidated income statement and corresponding allowances are made.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(19) Impairment (Continued)

For impairment test of goodwill, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units when being unable to be allocated to each of the cash-generating units. Cash-generating units or groups of cash-generating units refer to those that can benefit from the synergies of the combination and are not larger than the reportable segment determined by the Group.

When performing impairment test for the (groups of) cash-generating unit to which goodwill is allocated, if there is indication of impairment, the Group firstly tests the (groups of) cash-generating unit excluding goodwill, calculates the recoverable amount and recognizes relevant impairment losses. The Group then tests the (groups of) cash-generating units including goodwill, and compares the carrying amount and recoverable amount. If the carrying amount exceeds the recoverable amount, the amount of impairment loss is firstly deducted from the carrying amount of goodwill allocated to the (groups of) cash-generating unit, and then from the carrying amount of each of other assets (other than goodwill) within the (groups of) cash-generating unit, on pro rata basis.

Once the loss of impairment of the above-mentioned assets has been recognized, it will not be reversed in the future accounting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(20) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties.

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(20) *Related parties* (Continued)

(b) *the party is an entity where any of the following conditions applies:*

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(21) Contingencies

The obligation pertinent to contingencies shall be recognized as provisions when the following conditions are satisfied concurrently:

- the obligation is a present obligation of the Group;
- the obligation is probable to cause a future outflow of resources from the Group as a result of performance of the obligation; and
- the amount of the obligation can be reliably measured.

The amount of a provision is initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group takes into full consideration of risks, uncertainty, time value of money and other factors pertinent to the contingencies. The Group reviews the book value of the provisions at each balance sheet date. If there is substantial evidence that the amount of provisions cannot reflect the current best estimate, the Group will adjust the amount in accordance with the current best estimate.

A contingent liability is a possible obligation that a rise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or, a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(22) *Perpetual bonds*

Perpetual bonds issued by the Group, which satisfied with the following criteria are classified as equity instruments:

- (i) Financial instruments exclude those are settled on a net basis in cash (or other financial assets);
- (ii) Financial instruments must or can be settled on own equity: (a) For non-derivative contracts, they exclude those are settled gross by delivery of a variable number of own shares; (b) Derivative contracts that result in the delivery of a fixed amount of cash or other financial assets for a fixed number of an entity's own equity instruments.

Dividends for the perpetual bonds, which are classified as equity instruments, are accounted for as profit distribution.

(23) *Profit distribution*

After-tax profit for the year is firstly applied to make up for the losses of previous years. Secondly, the Company sets aside 10% of after-tax profit for a statutory surplus reserve, 10% of after-tax profit for a general risk reserve, and according to the requirements of the CSRC, sets aside 10% of after-tax profit for a transaction risk reserve. In addition, with the approval from the Annual General Meeting, the Company may appropriate certain proportions of net profit for a discretionary surplus reserve after setting aside the statutory surplus reserve. The remaining after-tax profit is distributed according to the resolution approved at the Annual General Meeting. If the aggregate balance of the statutory reserve has reached 50% of the Company's registered capital, appropriation for the statutory reserve is no longer mandatory.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.1 Significant accounting policies (Continued)

(23) Profit distribution (Continued)

General risk reserve and transaction risk reserve sets aside by the Company are used to make up for any losses arising from securities transactions. The Company's reserve funds are used to make up for any losses of the Company, expand the Company's business or as additional capital of the Company. However, capital reserve cannot be used to make up for the Company's losses. When the statutory reserve funds are converted to capital, the balance of the statutory reserve funds cannot be less than 25% of the Company's registered capital.

Dividends proposed by the directors are not deducted from equity, until they have been approved by the ordinary equity holders in the Annual General Meeting. When these dividends have been approved by the ordinary equity holders, they are recognized as a liability.

3.2 Significant accounting judgements and estimates

During the preparation of the Group's financial statements, management will make judgements, estimates and assumptions about the impact of future uncertainties on revenue, expenses, assets and liabilities, and disclosure of contingent liabilities. At the end of the reporting period, management made the following judgements and main assumptions on major future uncertainties, which might lead to adjustments in the book value of assets and liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.2 Significant accounting judgements and estimates (Continued)

(1) *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss (“ECL”) allowance for debt instruments, including investments in financial assets measured at amortized cost and FVOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Selection of the appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Determination of forward-looking measurements and weightings; and
- The estimated future cash flows for the financial assets classified under Stage 3.

Inputs, assumptions and estimation techniques

ECL are the discounted product of probability of default having considered the forward-looking impact, exposure at default, and loss given default.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.2 Significant accounting judgements and estimates (Continued)

(1) *Measurement of the expected credit loss allowance* (Continued)

Forward – looking information incorporated in the ECL model

A pervasive concept in measuring ECL in accordance with IFRS9 is that it should consider forward-looking information. The assessment of SICR and the calculation of ECL both incorporated forward-looking information. The Group has performed historical data and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. These economic variables and their associated impact on the probability of default (“PD”) vary by product type. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

Details of the significant accounting judgements and estimates above please refer to Note 53.1.

(2) *Classification of financial assets*

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are prepayment of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.2 Significant accounting judgements and estimates (Continued)

(3) Fair Value of financial instruments

For financial instruments where there is a lack of active market, the Group uses valuation methods to determine its fair value. Valuation methods include referring to the transaction price determined when fair transactions are conducted between economic entities with complete information and willingness to buy and sell in the market, referring to the fair value of another similar financial instrument in the market, or using discount cash flow analysis and option pricing model to estimate. Valuation methods maximize the use of observable market information. However, when observable market information is unavailable, management will estimate the significant non-observable information included in the valuation methods.

(4) Income tax

The Group needs to make a judgement on future tax treatment of certain transactions to confirm income tax. In accordance with relevant tax regulations, the Group carefully evaluates the impact of income tax on transactions and accordingly calculates income tax. The deferred income tax assets can only be recognized when there is a possibility of future taxable profits and can be used to offset the temporary differences. This requires a major judgement on the tax treatment of certain transactions and a significant estimate of the possibility of having sufficient future taxable profits to offset deferred income tax assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.2 Significant accounting judgements and estimates (Continued)

(5) Consolidation of structured entities

Management needs to make significant judgements on whether to control and consolidate structured entities, confirming whether it will affect accounting treatment and the financial situation and operating results of the Group.

In assessing control, the Group needs to consider: 1) the power of the investor to the investee; 2) the variable return enjoyed by the investee in the relevant activities; and 3) the ability to use the power of the investee to influence the amount of its return. If one or more of the three control elements mentioned above change, the Group will reassess whether control still exists.

In judging whether the Group controls the structured entities, it also needs to consider whether the Group's decision-making behavior is carried out as a principal or as an agent. Considerations usually include the scope of decision-making power of the Group to the structured entities, the substantive rights enjoyed by other parties, the level of remuneration of the Group, and the risk that the Group bears variable returns for holding other interests of the structured entities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

4 TAXATION

According to relevant PRC tax policies, the most significant categories of taxes to which the Group is currently subjected are as follows:

(1) Income tax

From 1 January 2008, the “Enterprise Income Tax Law of the PRC” and the “Regulations on the Implementation of Enterprise Income Tax Law of the PRC” became effective for the Company and its subsidiaries excluding China Futures Co., Ltd. and China Securities (International) Finance Holding Co., Ltd. Income tax computation and payment are governed by the “Announcement of the State Administration of Taxation on Printing and Distributing Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by Enterprises with Multi-Location Operations” (Public Notice of the State Administration of Taxation [2012] No. 57). The PRC Enterprise income tax rate applicable to the Company is 25%.

In accordance with Explanation on Implementation of Tax Preferential Treatments concerning Western China Development Strategy issued by local taxation bureau in Yuzhong District, Chongqing City and Announcement on Continuation of Implementation of Tax Preferential Treatments concerning Western China Development Strategy [2020] No. 23 issued by the Ministry of Finance (the “MOF”), the State Administration of Taxation (the “SAT”) and the National Development and Reform Commission, the applicable income tax rates for China Futures Co., Ltd. is 15%.

The income tax rate for China Securities (International) Finance Holding Co., Ltd. is 16.5%.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

4 TAXATION (Continued)

(2) Value added tax

Pursuant to the “Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the “VAT Pilot Programs”)” (Cai Shui [2016] No.36), the “Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No.46), the “Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions” (Cai Shui [2016] No.70) issued by the MOF and the SAT of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%.

In accordance with the “Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services” (Cai Shui [2016] No.140), the “Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products” (Cai Shui [2017] No.2) and the “Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products” (Cai Shui [2017] No.56), the Group shall pay VAT at rate of 3% for related asset management taxable activities undertaken after 1 January 2018 as the manager of asset management products.

After the implementation of the VAT Pilot Programs, the Group’s related income is presented at value net of its respective VAT in the consolidated income statement.

- (3) Urban maintenance and construction taxes and educational surcharges are charged at 7% and 3% of VAT payable, respectively. In addition, according to the provisions of “Administrative Measures for Collection and Usage of Local Educational Surcharges in Beijing” (Jing Zheng Fa [2011] No.72), since 1 January 2012, the local educational surcharges of the Company’s head office and securities trading department located in Beijing are paid at 2% of the total amount of value-added tax payable.
- (4) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business engaged in the following activities.

Investment banking segment: provides investment banking services, including financial advisory, sponsoring, underwriting of equity and debt securities.

Wealth management segment: serves as a brokerage agent for corporate and personal clients in the trading of equity stocks, funds, bonds and futures; and provides margin financing and securities lending services to these clients.

Trading and institutional client services segment: engages in trading of financial products; serves as a brokerage agent for institutional clients (financial institutions) in the trading of equity stocks, funds and bonds, and provides them with margin financing and securities lending; provides services in relation to sales of financial products to institutional clients, and provides specialized research and advisory services to assist their investment decision-making.

Asset management segment: develops asset management products, fund management products services, and private placement offerings, and provides related services through subsidiaries and consolidated structured entities.

Other segment: primarily commodity trading and the treasury function from the head office.

Management monitors the performance and results of these operating segments for considerations of resource allocation and operating decision-making.

Income taxes are managed as a whole and are not allocated to operating segments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (Continued)

	Year ended 31 December 2021					Total
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	
Segment revenue and other income						
Fee and commission income	5,958,018	4,740,294	3,260,573	1,398,706	–	15,357,591
Interest income	–	4,866,233	3,379,715	10,124	728,439	8,984,511
Net investment gains	–	–	7,544,248	479,835	–	8,024,083
Other income	5,300	49,421	3,411	8,147	6,600,493	6,666,772
Total revenue and other income	5,963,318	9,655,948	14,187,947	1,896,812	7,328,932	39,032,957
Segment expenses	(3,021,202)	(6,502,094)	(8,803,960)	(771,514)	(6,915,505)	(26,014,275)
Including: Interest expenses	(108,615)	(2,156,328)	(4,833,654)	(101,593)	(33,884)	(7,234,074)
Credit impairment losses	(895)	184,600	113,076	(1,465)	2,555	297,871
Impairment losses on other assets	–	–	–	–	(31,291)	(31,291)
Operating profit	2,942,116	3,153,854	5,383,987	1,125,298	413,427	13,018,682
Share of profits and losses of associates	–	–	–	(2,158)	4,302	2,144
Profit before income tax	2,942,116	3,153,854	5,383,987	1,123,140	417,729	13,020,826
Income tax expense						(2,785,762)
Net profit for the year						10,235,064
Total assets	939,919	121,733,400	291,813,742	4,919,401	33,384,964	452,791,426
Total liabilities	4,630,435	117,413,058	239,385,986	4,239,546	7,116,117	372,785,142
Other segment information:						
Depreciation and amortization	178,690	197,663	269,053	58,460	42,672	746,538
Capital expenditure	153,591	170,482	238,526	34,980	22,782	620,361

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (Continued)

	Year ended 31 December 2020					Total
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	
Segment revenue and other income						
Fee and commission income	6,179,157	4,247,364	1,899,092	1,298,645	–	13,624,258
Interest income	–	4,024,477	2,370,109	11,698	697,369	7,103,653
Net investment gains	–	–	8,271,822	401,500	–	8,673,322
Other income	4,404	33,204	636	24,179	1,256,469	1,318,892
Total revenue and other income	6,183,561	8,305,045	12,541,659	1,736,022	1,953,838	30,720,125
Segment expenses	(2,411,556)	(6,946,137)	(7,045,294)	(683,829)	(1,519,451)	(18,606,267)
Including: Interest expenses	(17,829)	(1,876,917)	(3,754,409)	(94,574)	(29,203)	(5,772,932)
Credit impairment losses	(2,227)	(1,016,516)	(297,518)	(1,266)	(1,323)	(1,318,850)
Impairment losses on other assets	–	–	–	–	(77,324)	(77,324)
Operating profit	3,772,005	1,358,908	5,496,365	1,052,193	434,387	12,113,858
Share of profits and losses of associates	–	–	–	24	11,841	11,865
Profit before income tax	3,772,005	1,358,908	5,496,365	1,052,217	446,228	12,125,723
Income tax expense						(2,589,038)
Net profit for the year						9,536,685
Total assets	646,094	110,472,132	218,287,289	13,106,537	28,716,091	371,228,143
Total liabilities	1,846,134	103,519,021	182,061,174	9,839,494	5,890,873	303,156,696
Other segment information:						
Depreciation and amortization	170,272	161,573	223,331	54,916	34,058	644,150
Capital expenditure	117,909	113,222	165,496	24,349	11,798	432,774

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

6 FEE AND COMMISSION INCOME

	Year ended 31 December	
	2021	2020
Brokerage services income	7,718,226	5,998,602
Investment banking income	5,958,018	6,179,157
Asset and fund management income	1,398,706	1,298,645
Others	282,641	147,854
Total	15,357,591	13,624,258

7 INTEREST INCOME

	Year ended 31 December	
	2021	2020
Margin financing and securities lending	4,113,375	2,869,330
Bank deposits	2,607,286	2,116,490
Financial assets at fair value through other comprehensive income	1,594,370	1,309,117
Financial assets held under resale agreements	573,151	808,716
Others	96,329	–
Total	8,984,511	7,103,653

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

8 NET INVESTMENT GAINS

	Year ended 31 December	
	2021	2020
Net gains from financial assets at fair value through profit or loss	8,996,380	9,512,034
Net gains from disposal of subsidiaries and associates	556,091	–
Dividend income from financial assets at fair value through other comprehensive income	197,010	5,320
Net gains from disposal of financial assets at fair value through other comprehensive income	111,527	403,282
Net losses from financial liabilities at fair value through profit or loss	(537,072)	(151,221)
Net losses from derivatives	(831,268)	(754,660)
Net losses attributable to other interest holders of consolidated structured entities	(468,585)	(341,433)
Total	<u>8,024,083</u>	<u>8,673,322</u>

9 OTHER INCOME

	Year ended 31 December	
	2021	2020
Income from bulk commodity trading	6,560,270	1,213,145
Government grants	58,364	63,466
Rental income	17,505	16,867
Gains on disposal of property, plant and equipment	818	419
Net losses on foreign exchange	(33,122)	(16,471)
Others	62,937	41,466
Total	<u>6,666,772</u>	<u>1,318,892</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

10 EXPENSES

	Year ended 31 December	
	2021	2020
Fee and commission expenses:		
Brokerage expenses	1,481,862	1,162,281
Investment banking expenses	326,650	322,586
Others	112,458	115,003
	<u>1,920,970</u>	<u>1,599,870</u>
Interest expenses:		
Bonds in issue	3,042,260	2,390,409
Financial assets sold under repurchase agreements	2,037,448	1,510,855
Placements from banks and other financial institutions	881,654	558,405
Short-term financing instruments payable	762,576	902,619
Accounts payable to brokerage clients	334,622	283,857
Lease liabilities	41,166	38,265
Borrowings	8,542	11,987
Others	125,806	76,535
	<u>7,234,074</u>	<u>5,772,932</u>
Staff costs (including directors' and supervisors' remuneration):		
Salaries, bonuses and allowances	6,701,689	5,666,241
Staff benefits	702,965	487,636
Contributions to defined contribution schemes (i)	446,963	282,419
	<u>7,851,617</u>	<u>6,436,296</u>
Total	<u>1,920,970</u>	<u>1,599,870</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

10 EXPENSES (Continued)

(i) Retirement benefits are included, and their nature is described below:

Full-time employees of the Group in Mainland China are covered by various government-sponsored retirement plans including social pension schemes and corporate pension schemes, under which the employees are entitled to a monthly pension. Relevant government agencies determine the amount of pension benefits and are responsible for the related pension liabilities to eligible retired employees. The Group is required to make monthly contributions to these government-sponsored retirement plans for active employees, which are expensed as incurred. The Group has no obligation for post-retirement benefits beyond these contributions.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or regions outside of Mainland China.

Other operating expenses and costs:

	Year ended 31 December	
	2021	2020
Cost of bulk commodity trading	6,536,063	1,198,347
Depreciation and amortization expenses	746,538	644,150
Electronic equipment operating expenses	321,614	219,175
Office operating expenses	226,447	169,858
Business travel expenses	195,408	127,899
Membership fees of exchanges	169,137	119,058
Postal and communication expenses	151,468	135,401
Business entertainment expenses	131,646	104,443
Securities investor protection fund	98,542	95,704
Consulting expenses	97,984	85,658
Auditors' remuneration	6,533	5,875
Including: Audit service	5,489	5,442
Non-audit service	1,044	433
Others	425,013	339,380
Total	9,106,393	3,244,948

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION

(1) Details of the directors' and supervisors' remuneration are as follows:

Name	Year ended 31 December 2021				Total remuneration before tax
	Salaries, allowances and other benefits	Discretionary bonuses	Directors' fees	Retirement benefits	
Executive Directors					
Wang Changqing (<i>Chairman</i>)	2,095	2,450	–	144	4,689
Li Geping (<i>General Manager</i>)	1,970	2,450	–	144	4,564
Non-executive Directors					
Yu Zhongfu	–	–	–	–	–
Wang Xiaolin (<i>i</i>)	–	–	–	–	–
Zhang Qin	–	–	–	–	–
Zhu Jia	–	–	–	–	–
Wang Hao	–	–	–	–	–
Zhang Wei (<i>iv</i>)	–	–	–	–	–
Yang Dong (<i>v</i>)	–	–	–	–	–
Wang Hua (<i>vi</i>)	–	–	–	–	–
Independent Non-executive Directors					
Feng Genfu (<i>vii</i>)	–	–	105	–	105
Zhu Shengqin (<i>viii</i>)	–	–	105	–	105
Dai Deming	–	–	230	–	230
Bai Jianjun	–	–	230	–	230
Liu Qiao	–	–	230	–	230
Pu weiguang (<i>ix</i>)	–	–	140	–	140
Lai guanrong (<i>x</i>)	–	–	140	–	140
Supervisors					
Zhou xiaoyu (<i>xi</i>)	643	2,300	–	62	3,005
Lin Xuan	1,450	2,400	–	141	3,991
Zhao Ming	1,185	2,750	–	132	4,067
Ai Bo	–	–	–	–	–
Zhao Lijun	–	–	–	–	–
Total	7,343	12,350	1,180	623	21,496

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(1) Details of the directors' and supervisors' remuneration are as follow:
(Continued)

Name	Year ended 31 December 2020				Total remuneration before tax
	Salaries, allowances and other benefits	Discretionary bonuses	Directors' fees	Retirement benefits	
Executive Directors					
Wang Changqing (<i>Chairman</i>)	2,080	2,500	–	223	4,803
Li Geping (<i>General Manager</i>)	1,954	2,500	–	212	4,666
Non-executive Directors					
Yu Zhongfu	–	–	–	–	–
Wang Xiaolin (<i>i</i>)	–	–	–	–	–
Zhang Qin	–	–	–	–	–
Zhu Jia	–	–	–	–	–
Wang Hao	–	–	–	–	–
Wang Bo (<i>ii</i>)	–	–	–	–	–
Xu Gang (<i>iii</i>)	–	–	–	–	–
Independent Non-executive Directors					
Feng Genfu (<i>vii</i>)	–	–	245	–	245
Zhu Shengqin (<i>viii</i>)	–	–	245	–	245
Dai Deming	–	–	245	–	245
Bai Jianjun	–	–	245	–	245
Liu Qiao	–	–	245	–	245
Supervisors					
Lin Xuan	1,616	2,400	–	201	4,217
Zhao Ming	1,150	2,300	–	173	3,623
Li Shihua (<i>xii</i>)	1,522	2,400	–	204	4,126
Ai Bo	–	–	–	–	–
Zhao Lijun	–	–	–	–	–
Total	8,322	12,100	1,225	1,013	22,660

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(1) Details of the directors' and supervisors' remuneration are as follow:
(Continued)

Except for the remuneration shown above, directors and supervisors received the following after-tax deferred bonuses in 2021 and 2020:

For the year ended 31 December 2021, Executive Director Wang Changqing received deferred bonuses for the year ended 31 December 2017 of RMB1.81 million, Supervisor Lin Xuan received deferred bonuses for the year ended 31 December 2017 of RMB0.88 million, Supervisor Zhao Ming received deferred bonuses for the year ended 31 December 2017 of RMB0.79 million.

For the year ended 31 December 2020, Executive Director Wang Changqing received deferred bonuses for the year ended 31 December 2016 of RMB2.09 million, Supervisor Li Shihua received deferred bonuses for the year ended 31 December 2016 of RMB1.93 million, Supervisor Lin Xuan received deferred bonuses for the year ended 31 December 2016 of RMB1.87 million, Supervisor Zhao Ming received deferred bonuses for the year ended 31 December 2016 of RMB1.59 million.

For each of the years ended 31 December 2021 and 31 December 2020, no directors and supervisors waived their remuneration. For non-executive directors and supervisors whose pre-tax remuneration were not paid by the Group was shown as zero in the above tables.

- (i) Wang Xiaolin was appointed as non-executive director in July 2020.
- (ii) Wang Bo resigned as non-executive director in July 2020.
- (iii) Xu Gang resigned as non-executive director in November 2020.
- (iv) Zhang Wei was appointed as non-executive director in June 2021.
- (v) Yang Dong was appointed as non-executive director in October 2021.
- (vi) Wang Hua was appointed as non-executive director in June 2021.
- (vii) Feng Genfu resigned as independent non-executive director in May 2021.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(1) Details of the directors' and supervisors' remuneration are as follow: (Continued)

- (viii) Zhu Shengqin resigned as independent non-executive director in May 2021.
- (ix) Pu Weiguang was appointed as independent non-executive director in May 2021.
- (x) Lai Guanrong was appointed as independent non-executive director in May 2021.
- (xi) Zhou Xiaoyu was appointed as supervisor in August 2021.
- (xii) Li Shihua resigned as supervisor in December 2020.

(2) Other benefits and rights of directors and supervisors

For each of the years ended 31 December 2021 and 31 December 2020, no emoluments were paid by the Group to any of the persons who were directors, or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. Except for the contributions to social pension schemes and corporate pension schemes, there were no other retirement benefits for directors or supervisors; meanwhile, there were no consideration provided to third parties for making available directors' and supervisors' services.

For each of the years ended 31 December 2021 and 31 December 2020, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly. In addition, the Group did not provide any guarantees or securities to certain controlled body corporates and connected entities of the directors or supervisors in respect of their loans, quasi-loans or credit transactions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

12 FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2021 and 31 December 2020, the five highest paid employees excluded directors and supervisors are as follows:

	Year ended 31 December	
	2021	2020
Salaries, allowances and other benefits	8,155	6,775
Discretionary bonuses	25,300	22,950
Discretionary deferred bonuses	25,416	31,020
Retirement benefits	680	952
Total	<u>59,551</u>	<u>61,697</u>

The number of these individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December	
	2021	2020
RMB10,000,001 to RMB11,000,000 yuan	2	–
RMB11,000,001 to RMB12,000,000 yuan	–	1
RMB12,000,001 to RMB13,000,000 yuan	2	4
RMB13,000,001 to RMB14,000,000 yuan	1	–
RMB14,000,001 to RMB15,000,000 yuan	–	–
Total	<u>5</u>	<u>5</u>

For the year ended 31 December 2021, the remuneration of these individuals above includes 2017 pre-tax deferred bonus paid in 2021. For the year ended 31 December 2020, the remuneration of these individuals above includes 2016 pre-tax deferred bonus paid in 2020.

For each of the years ended 31 December 2021 and 31 December 2020, no remunerations were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

13 CREDIT IMPAIRMENT (REVERSALS)/LOSSES

	Year ended 31 December	
	2021	2020
Financial assets held under resale agreements	(443,932)	988,921
Financial assets at fair value through other comprehensive income	120,647	290,395
Margin financing	14,806	28,025
Others	10,608	11,509
Total	<u>(297,871)</u>	<u>1,318,850</u>

14 INCOME TAX EXPENSE

(1) Income tax

	Year ended 31 December	
	2021	2020
Current income tax		
– Mainland China	2,679,917	2,999,647
– Outside Mainland China	15,964	(23,040)
Subtotal	<u>2,695,881</u>	<u>2,976,607</u>
Deferred income tax	89,881	(387,569)
Total	<u>2,785,762</u>	<u>2,589,038</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

14 INCOME TAX EXPENSE (Continued)

(2) Reconciliation between income tax and accounting profit

A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate of 25% to income tax expense at the Group's effective income tax rate is as follows:

	Year ended 31 December	
	2021	2020
Profit before income tax	13,020,826	12,125,723
Income tax at the PRC statutory income tax rate	3,255,207	3,031,431
Effects of different applicable rates of tax prevailing in various jurisdictions	(71,455)	(29,587)
Non-deductible expenses	21,659	18,843
Non-taxable income	(402,319)	(255,288)
Others	(17,330)	(176,361)
Income tax expenses at the Group's effective income tax rate	2,785,762	2,589,038

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

15 DIVIDENDS

	Year ended 31 December	
	2021	2020
Dividends on ordinary shares proposed and paid	2,908,761	1,796,901
Distribution to other equity instrument holders (Note 16(i))	547,685	370,486

A cash dividend of RMB3.95 (tax inclusive) per 10 ordinary shares related to the year of 2021, amounting to RMB3,064 million (tax inclusive) in total has been proposed by the directors and is subject to approval by the ordinary equity holders in the annual general meeting.

A cash dividend of RMB3.75 (tax inclusive) per 10 ordinary shares related to the year of 2020 amounting to RMB2,909 million (tax inclusive) in total and based on 7,756,694,797 shares was approved at the annual general meeting held on 29 June 2021. All dividends were distributed on 19 August 2021.

A cash dividend of RMB2.35 (tax inclusive) per 10 ordinary shares related to the year of 2019 amounting to RMB1,797 million (tax inclusive) in total and based on 7,646,385,238 shares was approved at the annual general meeting held on 5 June 2020. All dividends were distributed on 22 July 2020.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

16 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share was calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding. The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2021	2020
Earnings:		
Profit attributable to equity holders of the Company	10,238,704	9,509,429
Less: Profit attributable to other equity instrument holders of the Company (i)	(547,685)	(370,486)
Profit attributable to ordinary equity holders of the Company	9,691,019	9,138,943
Shares:		
Weighted average number of ordinary shares in issue (thousand) (Note 44)	7,756,695	7,647,594
Basic and diluted earnings per share (in RMB yuan)	1.25	1.20

There were no dilutive shares during the year ended 31 December 2021 (year ended 31 December 2020: None).

- (i) As of 31 December 2021, there were three tranches of perpetual subordinated bonds existed under the terms and conditions as detailed in Note 45 Other Equity Instruments.

For the purpose of calculating basic earnings per ordinary share, profit attributable to other equity holders was deducted from the profit attributable to ordinary equity holders of the Company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

17 PROPERTY, PLANT AND EQUIPMENT

	Properties and buildings	Electronic devices	Transportation vehicles	Communication equipment	Office equipment	Security equipment	Others	Total
Cost								
1 January 2021	413,761	826,027	36,670	6,743	76,659	8,699	37,059	1,405,618
Increases	7,430	282,738	2,528	454	6,709	818	304	300,981
Decreases	–	(157,637)	(4,168)	(2,384)	(6,136)	(1,287)	(214)	(171,826)
31 December 2021	421,191	951,128	35,030	4,813	77,232	8,230	37,149	1,534,773
Accumulated depreciation								
1 January 2021	(140,092)	(539,891)	(34,291)	(5,633)	(73,431)	(6,853)	(33,140)	(833,331)
Increases	(14,059)	(151,970)	(783)	(380)	(2,262)	(678)	(1,801)	(171,933)
Decreases	–	157,501	4,043	2,381	6,129	1,268	177	171,499
31 December 2021	(154,151)	(534,360)	(31,031)	(3,632)	(69,564)	(6,263)	(34,764)	(833,765)
Net carrying amount								
31 December 2021	267,040	416,768	3,999	1,181	7,668	1,967	2,385	701,008
Cost								
1 January 2020	428,063	697,128	36,696	7,475	77,809	8,850	38,286	1,294,307
Increases	322	193,577	370	155	1,803	672	109	197,008
Decreases	(14,624)	(64,678)	(396)	(887)	(2,953)	(823)	(1,336)	(85,697)
31 December 2020	413,761	826,027	36,670	6,743	76,659	8,699	37,059	1,405,618
Accumulated depreciation								
1 January 2020	(134,082)	(504,848)	(33,897)	(5,972)	(72,414)	(7,036)	(32,620)	(790,869)
Increases	(11,266)	(99,583)	(778)	(521)	(3,951)	(613)	(1,838)	(118,550)
Decreases	5,256	64,540	384	860	2,934	796	1,318	76,088
31 December 2020	(140,092)	(539,891)	(34,291)	(5,633)	(73,431)	(6,853)	(33,140)	(833,331)
Net carrying amount								
31 December 2020	273,669	286,136	2,379	1,110	3,228	1,846	3,919	572,287

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

18 RIGHT-OF-USE ASSETS

	Properties and buildings	Others	Total
Cost			
1 January 2021	1,445,123	259,434	1,704,557
Increases	1,241,641	2,839	1,244,480
Decreases	(338,081)	(2,636)	(340,717)
Foreign currency translation differences	(6,448)	–	(6,448)
31 December 2021	<u>2,342,235</u>	<u>259,637</u>	<u>2,601,872</u>
Accumulated depreciation			
1 January 2021	(632,906)	(74,977)	(707,883)
Increases	(371,530)	(37,501)	(409,031)
Decreases	333,484	2,272	335,756
Foreign currency translation differences	2,047	–	2,047
31 December 2021	<u>(668,905)</u>	<u>(110,206)</u>	<u>(779,111)</u>
Carrying amount			
31 December 2021	<u>1,673,330</u>	<u>149,431</u>	<u>1,822,761</u>

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

18 RIGHT-OF-USE ASSETS (Continued)

	Properties and buildings	Others	Total
Cost			
1 January 2020	1,180,831	258,321	1,439,152
Increases	297,717	1,288	299,005
Decreases	(18,904)	(175)	(19,079)
Foreign currency translation differences	(14,521)	–	(14,521)
31 December 2020	<u>1,445,123</u>	<u>259,434</u>	<u>1,704,557</u>
Accumulated depreciation			
1 January 2020	(299,591)	(37,553)	(337,144)
Increases	(348,456)	(37,598)	(386,054)
Decreases	12,027	174	12,201
Foreign currency translation differences	3,114	–	3,114
31 December 2020	<u>(632,906)</u>	<u>(74,977)</u>	<u>(707,883)</u>
Carrying amount			
31 December 2020	<u>812,217</u>	<u>184,457</u>	<u>996,674</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

19 INTANGIBLE ASSETS

	Software	Trading seat rights and others	Total
Cost			
1 January 2021	721,623	74,221	795,844
Increases	279,866	415	280,281
Decreases	(16,815)	–	(16,815)
Foreign currency translation differences	(631)	(18)	(649)
31 December 2021	<u>984,043</u>	<u>74,618</u>	<u>1,058,661</u>
Accumulated amortization			
1 January 2021	(365,766)	(69,600)	(435,366)
Increases	(119,582)	–	(119,582)
Decreases	15,032	–	15,032
Foreign currency translation differences	388	–	388
31 December 2021	<u>(469,928)</u>	<u>(69,600)</u>	<u>(539,528)</u>
Net carrying amount			
31 December 2021	<u>514,115</u>	<u>5,018</u>	<u>519,133</u>

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

19 INTANGIBLE ASSETS (Continued)

	Software	Trading seat rights and others	Total
Cost			
1 January 2020	542,596	75,948	618,544
Increases	211,692	–	211,692
Decreases	(31,668)	(1,700)	(33,368)
Foreign currency translation differences	(997)	(27)	(1,024)
31 December 2020	<u>721,623</u>	<u>74,221</u>	<u>795,844</u>
Accumulated amortization			
1 January 2020	(313,026)	(69,600)	(382,626)
Increases	(83,856)	–	(83,856)
Decreases	30,616	–	30,616
Foreign currency translation differences	500	–	500
31 December 2020	<u>(365,766)</u>	<u>(69,600)</u>	<u>(435,366)</u>
Net carrying amount			
31 December 2020	<u>355,857</u>	<u>4,621</u>	<u>360,478</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

20 INVESTMENTS IN SUBSIDIARIES

	31 December 2021	31 December 2020
Investments in subsidiaries	9,267,283	6,528,123

General information of the Company's principal subsidiaries are as follows:

Name of subsidiaries	Principal operating place	Place of registration	Registered share capital	Proportion of voting rights		Directly/Indirectly hold	Principal activities
				As at 31 December			
				2021	2020		
China Futures Co., Ltd.	Chongqing	Chongqing	RMB1,000 million	100%	100%	Directly	Futures brokerage
China Capital Management Co., Ltd. (i)	Beijing	Beijing	RMB1,650 million	100%	100%	Directly	Project investment
China Securities (International) Finance Holding Co., Ltd. (i) (ii)	Hong Kong	Hong Kong	Not applicable	100%	100%	Directly	Shareholding and investment
China Fund Management Co., Ltd. (iii)	Beijing	Beijing	RMB300 million	75%	55%	Directly	Funds business, asset management
China Securities Investment Co., Ltd. (i)	Beijing	Beijing	RMB6,100 million	100%	100%	Directly	Investment management, equity investment management, investment consultancy and project management

- (i) In 2021, the Company paid RMB450 million and RMB500 million of the subscribed capital to China Capital Management Co., Ltd. and China Securities Investment Co., Ltd., respectively, and increased capital investment of HKD2,000 million in China Securities (International) Finance Holding Co., Ltd.
- (ii) China Securities (International) Finance Holding Co., Ltd. is registered as a limited company according to the laws of Hong Kong, China. Others are registered as limited liability companies according to the laws of the People's Republic of China.
- (iii) In April 2021, the Company acquired 20% equity of China Fund Management Co., Ltd., which was publicly transferred by Jiangsu Guangchuan Broadcasting Media Co., Ltd. This transfer increased the company's proportion of voting rights to China Fund Management Co., Ltd. from 55% to 75%.

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21 INVESTMENTS IN ASSOCIATES

	31 December 2021	31 December 2020
Investments in associates	111,002	229,286

The following table illustrates details of investments in associates:

Name	1 January 2021	Increase	Decrease	Movement using the equity method	Impairment allowance for the current period	31 December 2021
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	50,802	–	–	1,975	–	52,777
Jiangsu DDBS Environment Remediation Co., Ltd.	48,804	–	(48,961)	157	–	–
Beijing Tinavi Medical Technology Co., Ltd.	44,208	–	(43,044)	(1,164)	–	–
Guangdong South Lead TV & Film Co., Ltd.	27,191	–	(27,191)	–	–	–
Beijing Siban Technology Development Co., Ltd.	25,809	–	(25,851)	42	–	–
Zhongguancun Equity Trading Service Group Co., Ltd.	21,757	–	–	2,255	–	24,012
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	9,460	–	–	(1,153)	–	8,307
Beijing Haifu Capital Management Co., Ltd.	1,255	–	(1,257)	2	–	–
Beijing Equity Trading Center Co., Ltd.	–	25,851	–	55	–	25,906
Total	229,286	25,851	(146,304)	2,169	–	111,002

Notes to the Consolidated Financial Statements (Continued)

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21 INVESTMENT IN ASSOCIATES (Continued)

Name	1 January 2020	Increase	Decrease	Movement using the equity method	Impairment allowance for the current period	31 December 2020
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	118,018	-	-	10,108	(77,324)	50,802
Jiangsu DDBS Environment Remediation Co., Ltd.	45,212	-	-	3,592	-	48,804
Beijing Tinavi Medical Technology Co., Ltd.	20,017	25,224	-	(1,033)	-	44,208
Guangdong South Lead TV & Film Co., Ltd.	27,763	-	-	(571)	-	27,192
Beijing Siban Technology Development Co., Ltd.	-	28,571	-	(2,762)	-	25,809
Zhongguancun Equity Trading Service Group Co., Ltd.	45,824	-	(28,571)	4,504	-	21,757
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	11,426	-	-	(1,967)	-	9,459
Beijing Haifu Capital Management Co., Ltd.	1,252	-	-	3	-	1,255
Total	269,512	53,795	(28,571)	11,874	(77,324)	229,286

As at 31 December 2020, the fair value of CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd., an associate of the Group, was lower than its original book value indicating signs of impairment. As a result, an impairment allowance of RMB77.32 million was recorded by the Group. As at 31 December 2021, given there was no sign of impairment on the Group's investments in associates, no further impairment allowance was made.

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	31 December 2020
Non-current		
Financial assets at fair value through profit or loss		
Debt instruments	54,919	–
Equity investments	6,508,439	3,939,113
Others	1,012,651	2,076,395
Subtotal	7,576,009	6,015,508
Analyzed into:		
Listed outside Hong Kong	2,381,073	1,574,603
Unlisted	5,194,936	4,440,905
Subtotal	7,576,009	6,015,508
Current		
Financial assets at fair value through profit or loss		
Debt instruments	87,162,849	82,315,132
Equity investments	21,285,047	14,139,675
Fund investments	16,606,441	10,460,975
Others	28,917,570	25,724,358
Subtotal	153,971,907	132,640,140
Analyzed into:		
Listed in Hong Kong	7,856,672	2,356,420
Listed outside Hong Kong	115,528,444	109,195,472
Unlisted	30,586,791	21,088,248
Subtotal	153,971,907	132,640,140
Total	161,547,916	138,655,648

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

As at 31 December 2021, the fair value of financial assets pledged as collateral for repurchase agreements (Note 37), placements from China Securities Finance Corporation Limited (“CSF”) (Note 38), short-term borrowings (Note 40), futures business and securities borrowing business by the Group totaled RMB82,663.63 million (31 December 2020: RMB62,442.75 million).

As at 31 December 2021, financial assets held by the Group included securities lent amounted to RMB2,582.01 million (31 December 2020: RMB2,185.24 million).

As at 31 December 2021, the fair value of financial assets at fair value through profit or loss in restricted period held by the Group was RMB4,544.33 million (31 December 2020: RMB3,754.15 million).

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2021	31 December 2020
Non-current		
Equity instruments (i)	–	3,225,144
Analyzed into:		
Unlisted	–	3,225,144
Current		
Debt instruments	48,260,539	44,816,764
Equity instruments	97,607	54,948
Subtotal	48,358,146	44,871,712
Analyzed into:		
Listed in Hong Kong	2,221,302	1,821,858
Listed outside Hong Kong	46,136,844	43,049,854
Subtotal	48,358,146	44,871,712
Total	48,358,146	48,096,856

- (i) As at 31 December 2021, the fair value of securities classified as financial assets at fair value through other comprehensive income of the Group which have been pledged as collateral for repurchase agreements (Note 37), placements from CSF (Note 38), short-term borrowings (Note 40) and securities borrowing business were RMB39,202.57 million (31 December 2020: RMB33,765.93 million).

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(In RMB thousands, unless otherwise stated)

24 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	31 December 2021	31 December 2020
Non-current		
Analyzed by collateral:		
Stock	10,020	1,353,536
Allowance for impairment losses	(114)	(5,219)
Subtotal	<u>9,906</u>	<u>1,348,317</u>
Current		
Analyzed by collateral:		
Debts	15,312,173	7,458,949
Stock	4,341,391	8,279,045
Others	–	111,442
	<u>19,653,564</u>	<u>15,849,436</u>
Allowance for impairment losses	(641,716)	(1,080,550)
Subtotal	<u>19,011,848</u>	<u>14,768,886</u>
Total	<u><u>19,021,754</u></u>	<u><u>16,117,203</u></u>

The Group received securities as collateral in connection with financial assets under resale agreements, some of which are allowed to be re-pledged in the absence of default by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group had an obligation to return the collateral to its counterparties at the maturity of the contracts.

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

24 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

The fair value of the collateral received in connection with financial assets under resale agreements, the collateral allowed to be re-pledged and the collateral re-pledged were as below:

	31 December 2021	31 December 2020
Collateral received	24,125,395	45,507,600
Including: Collateral allowed to be re-pledged	–	198,323
Collateral re-pledged	–	102,096

25 REFUNDABLE DEPOSITS

	31 December 2021	31 December 2020
Performance bonds	7,739,810	6,180,363
Trading deposits	2,586,664	2,488,830
Credit deposits	69,155	71,798
Total	10,395,629	8,740,991

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

26 DEFERRED TAX ASSETS AND LIABILITIES

Changes of deferred tax assets and deferred tax liabilities are as follow:

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Others	Total
1 January 2021	921,854	112,668	623,648	67,349	1,725,519
Credited/(debited) to the consolidated income statement	241,935	71,579	(75,665)	19,799	257,648
Credited/(debited) to other comprehensive income	–	(13,492)	(17)	(1,814)	(15,323)
31 December 2021	1,163,789	170,755	547,966	85,334	1,967,844

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Others	Total
1 January 2020	594,685	13,840	295,637	59,703	963,865
Credited to the consolidated income statement	327,169	85,580	328,011	11,525	752,285
Credited/(debited) to other comprehensive income	–	13,248	–	(3,879)	9,369
31 December 2020	921,854	112,668	623,648	67,349	1,725,519

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

26 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Changes of deferred tax assets and deferred tax liabilities are as follow (Continued):

Deferred tax liabilities	Fair value changes of financial instruments	Others	Total
1 January 2021	1,064,118	1,298	1,065,416
Debited/(credited) to the consolidated income statement	347,310	219	347,529
Debited/(credited) to other comprehensive income	112,411	(40)	112,371
31 December 2021	<u>1,523,839</u>	<u>1,477</u>	<u>1,525,316</u>

Deferred tax liabilities	Fair value changes of financial instruments	Others	Total
1 January 2020	658,549	2,325	660,874
Debited/(credited) to the consolidated income statement	365,651	(935)	364,716
Debited/(credited) to other comprehensive income	39,918	(92)	39,826
31 December 2020	<u>1,064,118</u>	<u>1,298</u>	<u>1,065,416</u>

27 OTHER NON-CURRENT ASSETS

As at 31 December 2021 and 31 December 2020, other non-current assets of the Group primarily represented long-term deferred expenses incurred on network engineering projects and leasehold improvements of property, plant and equipment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

28 MARGIN ACCOUNTS

	31 December 2021	31 December 2020
Margin accounts		
– Individuals	47,854,449	41,168,753
– Institutions	<u>11,133,597</u>	<u>6,515,092</u>
	58,988,046	47,683,845
Allowance for impairment losses	<u>(1,179,900)</u>	<u>(1,168,670)</u>
Total	<u><u>57,808,146</u></u>	<u><u>46,515,175</u></u>

Margin accounts are funds that the Group provided to clients in margin financing business. As at 31 December 2021 and 31 December 2020, no margin accounts were pledged for repurchase agreements (Note 37).

As at 31 December 2021, the fair value of securities lent in margin financing business was RMB9,755.35 million (31 December 2020: RMB8,978.45 million).

As at 31 December 2021, the Group received collateral with fair value amounted to RMB226,033.18 million (31 December 2020: RMB174,926.49 million), in connection with its margin financing business.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

29 ACCOUNTS RECEIVABLE

	31 December 2021	31 December 2020
Trading deposits for return swaps	19,512,677	6,708,687
Clearing funds receivable	447,732	112,199
Assets management fee receivable	143,075	114,178
Others	2,991,481	1,094,181
	<u>23,094,965</u>	<u>8,029,245</u>
Allowance for impairment losses (i)	<u>(19,793)</u>	<u>(11,092)</u>
Total	<u>23,075,172</u>	<u>8,018,153</u>

- (i) ECL on account receivable arising from revenue recognized in accordance with IFRS 15 – Revenue, is measured using simplified approach under IFRS9. ECL on the rest of accounts receivable is measured using the general approach and as at 31 December 2021, account receivable measured using general approach were classified under Stage 1 (31 December 2020: Stage 1).
- (ii) Analyzed by aging

	As at 31 December 2021			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	23,078,664	99.93%	(11,811)	59.67%
1 to 2 years	4,607	0.02%	(197)	1.00%
2 to 3 years	1,803	0.01%	(840)	4.24%
More than 3 years	9,891	0.04%	(6,945)	35.09%
Total	<u>23,094,965</u>	<u>100.00%</u>	<u>(19,793)</u>	<u>100.00%</u>

	As at 31 December 2020			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	8,014,585	99.82%	(2,277)	20.54%
1 to 2 years	3,555	0.04%	(1,610)	14.51%
2 to 3 years	2,491	0.03%	(1,308)	11.79%
More than 3 years	8,614	0.11%	(5,897)	53.16%
Total	<u>8,029,245</u>	<u>100.00%</u>	<u>(11,092)</u>	<u>100.00%</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

30 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2021		
	Nominal value	Fair value	
		Assets	Liabilities
Interest rate derivatives	552,026,250	29	25
Currency derivatives	189,498,544	113,129	–
Equity derivatives	151,858,094	2,217,103	4,139,812
Credit derivatives	174,237	4,980	772
Others	35,367,388	182,701	154,717
Total	928,924,513	2,517,942	4,295,326

	As at 31 December 2020		
	Nominal value	Fair value	
		Assets	Liabilities
Interest rate derivatives	165,977,744	812	950
Currency derivatives	2,222,696	4,666	331
Equity derivatives	97,824,331	1,449,975	2,274,318
Credit derivatives	292,000	1,913	2,132
Others	13,506,560	174,843	146,889
Total	279,823,331	1,632,209	2,424,620

Under the “Daily Mark-to-Market and Settlement Arrangement”, the Group’s future contracts are settled daily. The amount of mark-to-market gain or loss of those unexpired future contracts is reflected in profit or loss and the account captioned “cash and bank balances”. As at 31 December 2021, the fair value of the Group’s unexpired futures contracts was RMB32.41 million (31 December 2020: negative RMB153.85 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

31 CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of clients and the corresponding liabilities as accounts payable to brokerage clients (Note 34). In Mainland China, the use of cash held on behalf of clients for securities trading and settlement is restricted and governed by relevant third-party custodian regulations issued by the CSRC. In Hong Kong, the “Securities and Futures (Client Money) Rules” under the Securities and Futures Ordinance have imposed similar restrictions.

32 CASH AND BANK BALANCES

	31 December 2021	31 December 2020
Deposits in banks	36,002,716	28,580,085
Total	36,002,716	28,580,085

As at 31 December 2021, the Group had restricted deposits of RMB766.49 million (31 December 2020: RMB810.72 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

33 OTHER CURRENT ASSETS

	31 December 2021	31 December 2020
Interest receivable (i)	119,419	59,059
Commodity Inventories	47,067	15,227
Deferred expenses	30,971	3,652
Prepaid expenses	13,816	4,013
Dividend receivable	—	202
Others	514,949	527,301
	<u>726,222</u>	<u>609,454</u>
Allowance for impairment losses	<u>(45,948)</u>	<u>(44,762)</u>
Total	<u>680,274</u>	<u>564,692</u>

- (i) As at 31 December 2021 and 31 December 2020, interest income of financial assets accrued under effective interest rate method, which was overdue but not received, was reflected in Interest receivable under other current assets. Interest receivable not yet due were included in the carrying amount of the related financial assets.

34 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients represents the amounts received from and repayable to clients arising from the ordinary course of the Group's securities brokerage business. For more details, please refer to Cash Held on Behalf of Clients (Note 31).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021
(In RMB thousands, unless otherwise stated)

35 LEASE LIABILITIES

	31 December 2021	31 December 2020
Current		
Lease liabilities	444,289	323,956
Non-current		
Lease liabilities	1,359,022	655,308
Total	1,803,311	979,264

As at 31 December 2021, the Group's leases committed but not yet commenced were RMB414.61 million (31 December 2020: RMB24.56 million) (Note 53.2).

36 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	31 December 2020
Current		
Financial liabilities at fair value through profit or loss (Held for trading)		
– Debt instruments	1,029,622	5,140
Financial liabilities designated as at fair value through profit or loss		
– Structured notes (i)	1,315,876	342,326
Subtotal	2,345,498	347,466
Non-current		
Financial liabilities designated as at fair value through profit or loss		
– Structured notes (i)	5,454,391	1,248,263
Total	7,799,889	1,595,729

(i) As at 31 December 2021 and 31 December 2020, the structured notes held by the Group were mainly linked to equity indexes.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

37 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	31 December 2021	31 December 2020
Current		
Analyzed by collateral:		
Debt securities (Notes 22 and 23)	81,945,486	68,879,194
Gold	5,880,104	6,033,940
Others (Notes 22)	11,770,077	9,599,105
Total	<u>99,595,667</u>	<u>84,512,239</u>

As at 31 December 2021 and 31 December 2020, other collaterals mainly included the standard bonds for pledge-style quotation-driven repurchase.

38 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2021	31 December 2020
Current		
Placements from CSF (Notes 22 and 23)	7,528,350	9,035,700
Placements from banks	1,000,306	–
Total	<u>8,528,656</u>	<u>9,035,700</u>

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

39 TAXES PAYABLE

	31 December 2021	31 December 2020
Current		
Income tax	1,019,520	938,489
Value added tax	283,771	198,371
Others	182,860	256,566
Total	1,486,151	1,393,426

40 SHORT-TERM BORROWINGS

	31 December 2021	31 December 2020
Current		
Analyzed by nature:		
Credit borrowings	101,770	87,411
Mortgage borrowings (Notes 22 and 23)	885,604	537,763
Total	987,374	625,174

As at 31 December 2021, the Group had fixed-rate borrowings which carried interest rate from 0.36% to 4.67%. As at 31 December 2020, the Group had fixed-rate borrowings which carried interest rate from 0.50% to 3.00%.

As at 31 December 2021, the Group held collateral with fair value amounted to RMB1,049.60 million (31 December 2020: RMB634.50 million), in connection with its short-term borrowings.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE

Name	Issue date	Maturity date	Coupon rate	1 January 2021	Increase	Decrease	31 December 2021
Short-term commercial paper							
20 CSC CP014	14/10/2020	13/01/2021	2.69%	4,023,289	3,538	(4,026,827)	-
20 CSC CP015	03/11/2020	29/01/2021	3.12%	4,522,695	10,770	(4,533,465)	-
20 CSC CP016	26/11/2020	25/02/2021	3.35%	4,013,216	20,192	(4,033,408)	-
20 CSC CP017	16/12/2020	17/03/2021	2.80%	3,504,296	20,137	(3,524,433)	-
21 CSC CP001	11/01/2021	09/04/2021	2.40%	-	4,023,145	(4,023,145)	-
21 CSC CP002	27/01/2021	28/04/2021	2.42%	-	4,024,134	(4,024,134)	-
21 CSC CP003	24/02/2021	26/05/2021	2.89%	-	4,532,423	(4,532,423)	-
21 CSC CP004BC	15/03/2021	11/06/2021	2.62%	-	4,528,425	(4,528,425)	-
21 CSC CP005BC	08/04/2021	25/06/2021	2.35%	-	3,919,585	(3,919,585)	-
21 CSC CP006BC	27/04/2021	23/07/2021	2.35%	-	3,016,804	(3,016,804)	-
21 CSC CP007BC	25/05/2021	20/08/2021	2.29%	-	4,017,065	(4,017,065)	-
21 CSC CP008BC	10/06/2021	08/09/2021	2.35%	-	4,526,075	(4,526,075)	-
21 CSC CP009BC	24/06/2021	17/09/2021	2.40%	-	4,525,151	(4,525,151)	-
21 CSC CP010BC	21/07/2021	19/10/2021	2.28%	-	4,525,299	(4,525,299)	-
21 CSC CP011BC	18/08/2021	16/11/2021	2.18%	-	3,418,276	(3,418,276)	-
21 CSC CP012BC	27/08/2021	28/10/2021	2.10%	-	3,010,701	(3,010,701)	-
21 CSC CP013	08/09/2021	08/12/2021	2.38%	-	2,011,867	(2,011,867)	-
21 CSC CP014	17/09/2021	16/09/2022	2.75%	-	3,023,959	-	3,023,959
21 CSC CP015	24/09/2021	24/06/2022	2.75%	-	3,022,377	-	3,022,377
21 CSC CP016	11/11/2021	11/11/2022	2.79%	-	2,007,797	-	2,007,797
21 CSC CP017	13/12/2021	09/09/2022	2.68%	-	3,004,185	-	3,004,185
Short-term corporate bond							
20 Xintou S2	28/07/2020	28/07/2021	2.90%	1,516,294	27,206	(1,543,500)	-
21 Xintou S1	29/07/2021	29/12/2021	2.45%	-	1,013,949	(1,013,949)	-
Structured notes (i)				<u>24,716,254</u>	<u>38,315,877</u>	<u>(55,800,270)</u>	<u>7,231,861</u>
Total				<u>42,296,044</u>	<u>100,548,937</u>	<u>(124,554,802)</u>	<u>18,290,179</u>

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE (Continued)

Name	Issue date	Maturity date	Coupon rate	1 January		31 December	
				2020	Increase	Decrease	2020
Short-term commercial paper							
19 CSC CP006	09/10/2019	08/01/2020	2.88%	4,026,439	2,203	(4,028,642)	-
19 CSC CP007	24/10/2019	22/01/2020	3.02%	4,022,774	6,931	(4,029,705)	-
19 CSC CP008	11/12/2019	06/03/2020	3.05%	4,007,000	21,667	(4,028,667)	-
20 CSC CP001	06/01/2020	03/04/2020	2.79%	-	4,026,833	(4,026,833)	-
20 CSC CP002	20/01/2020	17/04/2020	2.79%	-	4,026,833	(4,026,833)	-
20 CSC CP003	19/02/2020	12/05/2020	2.52%	-	4,022,859	(4,022,859)	-
20 CSC CP004	04/03/2020	03/06/2020	2.42%	-	4,024,134	(4,024,134)	-
20 CSC CP005	07/04/2020	24/06/2020	1.50%	-	4,012,822	(4,012,822)	-
20 CSC CP006	21/04/2020	17/07/2020	1.38%	-	4,013,157	(4,013,157)	-
20 CSC CP007	08/05/2020	06/08/2020	1.55%	-	4,517,199	(4,517,199)	-
20 CSC CP008	02/06/2020	28/08/2020	1.58%	-	4,015,064	(4,015,064)	-
20 CSC CP009	22/06/2020	18/09/2020	2.20%	-	4,021,216	(4,021,216)	-
20 CSC CP010	17/07/2020	16/10/2020	2.55%	-	4,025,430	(4,025,430)	-
20 CSC CP011	04/08/2020	03/11/2020	2.60%	-	4,025,929	(4,025,929)	-
20 CSC CP012	03/09/2020	27/11/2020	2.70%	-	4,025,151	(4,025,151)	-
20 CSC CP013	22/09/2020	18/12/2020	2.70%	-	4,025,742	(4,025,742)	-
20 CSC CP014	14/10/2020	13/01/2021	2.69%	-	4,023,289	-	4,023,289
20 CSC CP015	03/11/2020	29/01/2021	3.12%	-	4,522,695	-	4,522,695
20 CSC CP016	26/11/2020	25/02/2021	3.35%	-	4,013,216	-	4,013,216
20 CSC CP017	16/12/2020	17/03/2021	2.80%	-	3,504,296	-	3,504,296
Short-term corporate bond							
20 Xintou S2	28/07/2020	28/07/2021	2.90%	-	1,520,553	(4,259)	1,516,294
Structured notes (i)				5,439,740	66,080,415	(46,803,901)	24,716,254
Total				17,495,953	136,477,634	(111,677,543)	42,296,044

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE (Continued)

As at 31 December 2021 and 31 December 2020, there were no defaults related to any short-term financing instruments payable by the Group.

As at 31 December 2021 and 31 December 2020, the interests of short-term financing instruments payable measured by the effective interest rate method were included in the carrying amount of the related financial instruments, which amounted to RMB91.76 million and RMB258.13 million, respectively.

- (i) As at 31 December 2021 and 31 December 2020, the structured notes issued by the Group are calculated at a fixed annual interest rate or a fixed plus floating interest rate. The fixed interest rate ranges are 2.40%-3.35% and 2.10%-4.00%, respectively.

42 OTHER CURRENT LIABILITIES

	31 December 2021	31 December 2020
Bonds in issue with maturity within one year (1)	44,293,792	15,304,192
Amounts due to other holders of consolidated structured entities at fair value	1,207,726	6,003,742
Trading deposits for return swaps	15,462,829	4,611,335
Salaries, bonuses and allowances payable	4,705,290	3,947,967
Futures settlement risk funds payable	145,032	111,404
Dividends payable (Note 15 and 45)	355,589	225,404
Settlement deposits payable	1,214,642	439,153
Accounts payable to underwriting clients	478,081	75,871
Provision	59,546	66,403
Funds payable to securities holders	5,980	5,997
Securities investor protection fund payable	57,625	53,278
Others	7,378,884	3,652,897
Total	75,365,016	34,497,643

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

42 OTHER CURRENT LIABILITIES (Continued)

- (1) Bonds in issue with maturity within one year as at 31 December 2021 and 31 December 2020 were as follows:

		31 December 2021	31 December 2020
18 Xintou F2	(i)	–	4,144,105
18 Xintou F3	(ii)	–	3,578,358
18 Xintou F4	(iii)	–	2,551,271
18 Xintou C1	(iv)	–	5,030,184
19 Xintou C1	(v)	5,707,566	–
19 Xintou C2	(vi)	5,147,340	–
19 Xintou C3	(vii)	4,102,516	–
20 Xintou C1	(viii)	4,170,064	–
20 Xintou C3	(ix)	5,200,351	–
21 Xintou C1	(x)	2,063,833	–
21 Xintou C3	(xi)	3,076,022	–
21 Xintou C5	(xii)	3,575,881	–
21 Xintou C7	(xiii)	1,015,295	–
21 Xintou C9	(xiv)	4,556,883	–
19 CSC Financial Bond 01	(xv)	4,056,979	–
Structured notes	(xvi)	1,621,062	274
Total		44,293,792	15,304,192

- (i) In April 2018, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB4 billion. The bond pays interest annually at 5.12% per annum and is not guaranteed. The bond was fully redeemed in April 2021.
- (ii) In July 2018, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB3.5 billion. The bond pays interest annually at 4.86% per annum and is not guaranteed. The bond was fully redeemed in July 2021.
- (iii) In July 2018, the Company privately issued a 3-year fixed rate corporate bond with a face value of RMB2.5 billion. The bond pays interest annually at 4.84% per annum and is not guaranteed. The bond was fully redeemed in July 2021.
- (iv) In November 2018, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5 billion. The bond pays interest annually at 4.38% per annum and is not guaranteed. The bond was fully redeemed in November 2021.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

42 OTHER CURRENT LIABILITIES (Continued)

- (1) Bonds in issue with maturity within one year as at 31 December 2021 and 31 December 2020 were as follows (Continued):
- (v) In January 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5.5 billion. The bond pays interest annually at 4.00% per annum and is not guaranteed.
 - (vi) In April 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5 billion. The bond pays interest annually at 4.20% per annum and is not guaranteed.
 - (vii) In May 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 4.12% per annum and is not guaranteed.
 - (viii) In November 2020, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB4 billion. The bond pays the principal and interest at maturity at 3.90% per year and is not guaranteed.
 - (ix) In December 2020, the Company publicly issued a 455-day fixed rate subordinated bond with a face value of RMB5 billion. The bond pays the principal and interest at maturity at 3.84% per year and is not guaranteed.
 - (x) In January 2021, the Company publicly issued a 546-day fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.50% per annum, the last-period interest is paid along with the redemption of the principal and is not guaranteed.
 - (xi) In March 2021, the Company publicly issued a 455-day fixed rate subordinated bond with a face value of RMB3 billion. The bond pays the principal and interest at maturity at 3.40% per year and is not guaranteed.
 - (xii) In April 2021, the Company publicly issued a 456-day fixed rate subordinated bond with a face value of RMB3.5 billion. The bond pays the principal and interest at maturity at 3.27% per year and is not guaranteed.
 - (xiii) In June 2021, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB1 billion. The bond pays the principal and interest at maturity at 3.30% per year and is not guaranteed.

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42 OTHER CURRENT LIABILITIES (Continued)

(1) Bonds in issue with maturity within one year as at 31 December 2021 and 31 December 2020 were as follows (Continued):

(xiv) In July 2021, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB4.5 billion. The bond pays the principal and interest at maturity at 3.05% per year and is not guaranteed.

(xv) In August 2019, the Company publicly issued a 3-year fixed rate financial bond with a face value of RMB4 billion. The bond pays interest annually at 3.52% per annum and is not guaranteed.

(xvi) As at 31 December 2021, the Company had structured notes named "Gushouxin series" amounted to RMB0.10 million, "Zhiyingbao series" amounted to RMB1,520.94 million, which accrue interests at fixed annual rate of 3.00% to 3.95%; "Kanzhangbao series" amounted to RMB100.02 million, which accrue interest at floating rate linked to one or more stock indexes. The remaining tenure were less than one year. The principal and interest of these structured notes are payable at maturity and are not guaranteed. As at 31 December 2020, the Company had structured notes named "Gushouxin series" amounted to RMB0.27 million, which accrue interests at a fixed annual rate in the range of 3.00%~3.10% and of which the remaining tenure were less than one year. The principal and interest of these structured notes are payable at maturity and are not guaranteed.

43 BONDS IN ISSUE

	31 December 2021	31 December 2020
Subordinated bonds in issue	25,223,533	25,937,038
Corporate bonds in issue	23,150,209	20,023,181
Financial bonds in issue	–	4,056,088
Structured notes in issue	11,646,450	–
Total	60,020,192	50,016,307

(1) As at 31 December 2021 and 31 December 2020, there were no defaults related to any bonds in issue.

Notes to the Consolidated Financial Statements (Continued)

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43 BONDS IN ISSUE (Continued)

(2) The details of bonds in issue

		31 December 2021	31 December 2020
Corporate bonds			
20 Xintou G1	(i)	5,107,844	5,098,259
20 Xintou G2	(ii)	1,021,672	1,020,559
20 Xintou G3	(iii)	3,047,560	3,041,844
20 Xintou G4	(iv)	3,043,052	3,038,641
20 Xintou G5	(v)	4,558,698	4,553,500
CSCIF A N2508	(vi)	3,198,713	3,270,378
CSCIF A N2406	(vii)	3,172,670	–
Subtotal		23,150,209	20,023,181
Subordinated bonds			
19 Xintou C1	42(1) (v)	–	5,699,084
19 Xintou C2	42(1) (vi)	–	5,140,324
19 Xintou C3	42(1) (vii)	–	4,096,928
20 Xintou C1	42(1) (viii)	–	4,004,909
20 Xintou C2	(viii)	1,001,959	1,000,725
20 Xintou C3	42(1) (ix)	–	4,996,249
20 Xintou C4	(ix)	1,000,051	998,819
21 Xintou C2	(x)	1,034,404	–
21 Xintou C4	(xi)	1,028,159	–
21 Xintou C6	(xii)	2,047,845	–
21 Xintou C8	(xiii)	2,542,798	–
21 Xintou 10	(xiv)	1,521,290	–
21 Xintou 11	(xv)	4,021,408	–
21 Xintou 12	(xvi)	2,011,006	–
21 Xintou 13	(xvii)	4,015,541	–
21 Xintou 14	(xviii)	2,000,968	–
21 Xintou 16	(xix)	2,998,104	–
Subtotal		25,223,533	25,937,038
Financial Bonds			
19 CSC Financial Bond 01	42(1) (xv)	–	4,056,088
Structured notes	(xx)	11,646,450	–
Carrying amount		60,020,192	50,016,307

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

43 BONDS IN ISSUE (Continued)

(2) The details of bonds in issue (Continued)

- (i) In March 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB5 billion. The bond pays interest annually at 2.94% per annum and is not guaranteed.
- (ii) In March 2020, the Company publicly issued a 5-year fixed rate corporate bond with a face value of RMB1 billion. The bond pays interest annually at 3.13% per annum and is not guaranteed.
- (iii) In April 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 2.56% per annum and is not guaranteed.
- (iv) In July 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 3.55% per annum and is not guaranteed.
- (v) In July 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB4.5 billion. The bond pays interest annually at 3.46% per annum and is not guaranteed.
- (vi) In August 2020, CSCIF Asia Limited, an indirect wholly owned subsidiary of the Company, issued a 5-year medium-term note with a face value of USD0.5 billion and an annual interest rate of 1.75%. The note pays interest every six months, and is guaranteed unconditionally and irrevocably by CSC Financial Co., Ltd.
- (vii) In June 2021, CSCIF Asia Limited, an indirect wholly owned subsidiary of the Company, issued a 3-year medium-term note with a face value of USD0.5 billion and an annual interest rate of 1.125%. The note pays interest every six months, and is guaranteed unconditionally and irrevocably by CSC Financial Co., Ltd.
- (viii) In November 2020, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 4.20% per annum and is not guaranteed.
- (ix) In December 2020, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 4.18% per annum and is not guaranteed.
- (x) In January 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.87% per annum and is not guaranteed.
- (xi) In March 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.88% per annum and is not guaranteed.
- (xii) In April 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.70% per annum and is not guaranteed.
- (xiii) In June 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB2.5 billion. The bond pays interest annually at 3.75% per annum and is not guaranteed.
- (xiv) In July 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1.5 billion. The bond pays interest annually at 3.50% per annum and is not guaranteed.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

43 BONDS IN ISSUE (Continued)

(2) The details of bonds in issue (Continued)

- (xv) In October 2021, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 3.43% per annum and is not guaranteed.
- (xvi) In October 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.75% per annum and is not guaranteed.
- (xvii) In October 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 3.68% per annum and is not guaranteed.
- (xviii) In November 2021, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.13% per annum and is not guaranteed.
- (xix) In December 2021, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB3 billion. The bond pays interest annually at 3.07% per annum and is not guaranteed.
- (xx) As at 31 December 2021, the Company had structured notes named "Zhiyingbao series" amounted to RMB10,636.26 million, and "Gushouxin series" amounted to RMB1,010.19 million, which accrue interests at a fixed annual rate in the range of 3.90%~4.40% and 4.00%, with a remaining tenure of more than one year. The principal and interest of these structured notes are payable at maturity and are not guaranteed.

44 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:

	31 December 2021	31 December 2020
Issued and fully paid ordinary shares of RMB1 each (<i>in thousands</i>)		
– A shares	6,495,671	6,495,671
– H shares	1,261,024	1,261,024
Total	7,756,695	7,756,695

The Company completed the registration procedure for its non-public offering of A-shares in the Shanghai branch of China Securities Depository and Clearing Co., Ltd. and issued a total of 110,309,559 shares with a nominal value of RMB1 per share on 28 December 2020.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

45 OTHER EQUITY INSTRUMENTS

Other equity instruments of the Group are as follows :

- In August 2019, the Company issued the first tranche of perpetual subordinated bonds of 2019 amounted to RMB5 billion.
- In March 2020, the Company issued the first tranche of perpetual subordinated bonds of 2020 amounted to RMB5 billion.
- In May 2021, the Company publicly issued perpetual subordinated bonds of 2021 to professional investors (the “2021 perpetual subordinated bonds”) amounted to RMB5 billion.

The issuance terms related to the equity attributes of other equity instruments that existed at the end of the reporting year are as follows:

- The bonds are repriced every 5 interest-accruing years, and at the end of the repricing cycle, the issuer has the option to extend the bonds for another repricing cycle (another five years) or redeem them in full;
- The bonds offer no redemption option to the investors so that investors cannot require the issuer to redeem their bonds during the duration of the bonds;
- The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interests and accreted interests already deferred according to the related terms, without any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital;
- The priority over repayment of the 2019, the 2020 and the 2021 perpetual subordinated bonds is subordinated to the Company’s general debts and other subordinated debt, unless in the event of liquidation of the Company, investors of these bonds cannot require the Company to accelerate payment of bonds’ principals.

The perpetual subordinated bonds issued by the Company are classified as equity instruments, and recognized under equity in the consolidated statement of financial position. As at 31 December 2021, the interest payable of perpetual subordinated bonds was RMB355.59 million (31 December 2020: RMB225.40 million) (Note 42).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

46 RESERVES

The amounts of the Group's reserves and the related movements are presented in the consolidated statement of changes in equity.

(1) Capital reserve

Capital reserve primarily includes share premium arising from the issuance of new shares at prices in excess of par value.

(2) Surplus reserves

(i) Statutory surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its profit for the year for 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, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after this capitalization is not less than 25% of the registered capital immediately before capitalization.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Company may also appropriate its after-tax profit for the year, as determined under China Accounting Standards for Business Enterprises, to its discretionary surplus reserve upon approval by the ordinary equity holders in Annual General Meeting. Subject to the shareholders' approval, the discretionary surplus reserve may be used to offset accumulated losses, if any, and may be converted into capital of the Company.

(3) General reserve

Pursuant to the requirements of regulatory authorities, including the Ministry of Finance and the CSRC, the Company is required to appropriate 10% of its profit for the year for the general risk reserve and 10% for the transaction risk reserve (Note 3.1(23)). Regulatory reserves that are established by subsidiaries and branches in certain countries or jurisdictions outside Mainland China in accordance with the regulatory requirements in their respective territories are also included herein.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021
(In RMB thousands, unless otherwise stated)

46 RESERVES (Continued)

(4) Investment revaluation reserve

The investment revaluation reserve represents the fair value changes of financial assets at fair value through other comprehensive income.

(5) Foreign currency translation reserve

The foreign currency translation reserve represents the exchange difference arising from the translation of the financial statements of the subsidiaries incorporated outside Mainland China with functional currencies other than RMB.

47 CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash and bank balances	36,002,716	28,580,085
Less: Restricted deposits (<i>Note 32</i>)	(766,491)	(810,715)
Interest receivable	(873)	(3,871)
Cash and cash equivalents	<u>35,235,352</u>	<u>27,765,499</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

48 INTERESTS IN STRUCTURED ENTITIES

The Group is involved with structured entities primarily through investments and asset management business. The Group determines whether to consolidate these structured entities depending on whether the Group has control over them.

(1) Structured entities included in consolidated financial statements

Considering that the Company acts as either the investment manager for the structured entities, or as principal in investing in part of the shares issued by the structured entities, bearing most or all the risk of the products and obtaining most or all of the variable returns, the Group therefore consolidated these structured entities in its consolidated financial statements.

As at 31 December 2021 and 31 December 2020, total assets of consolidated structured entities, the Group's investments and maximum exposure arising from its investments in consolidated structured entities are as follows:

	31 December 2021	31 December 2020
Total assets	3,507,497	9,351,905
Investments	3,516,356	2,874,197
Maximum exposure	3,421,651	2,860,743

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

48 INTERESTS IN STRUCTURED ENTITIES (Continued)

(2) Interests in unconsolidated structured entities

(i) Structured entities sponsored by the Group

Unconsolidated structured entities sponsored by the Group primarily include asset management plans and investment funds sponsored by the Group. As the manager of these structured entities, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment plan related to each structured entity. The interests held by the Group in these unconsolidated structured entities primarily include investments held directly and/or management fees, commission and performance fee earned from managed structured entities. The Group concluded that it acted as an agent rather than a principal based on its assessment of the variable return derived from these structured entities. Therefore, these structured entities are not consolidated by the Group.

For the year ended 31 December 2021, the Group earned management fee, commission and performance fee amounted to RMB1,070.14 million (31 December 2020: RMB967.71 million) from these unconsolidated structured entities sponsored by the Group, for which the Group held no interest in during and as at the end of the reporting year.

As at 31 December 2021 and 31 December 2020, the maximum exposure and the carrying amount of relevant balance sheet items of the Group arising from these unconsolidated structured entities, for which the Group held interests in as at the end of the reporting year, were set out as below:

	31 December 2021	31 December 2020
Financial assets at fair value through profit or loss		
– Carrying amount	4,943,891	4,232,618
– Maximum exposure	4,989,692	4,285,686

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

48 INTERESTS IN STRUCTURED ENTITIES (Continued)

(2) Interests in unconsolidated structured entities (Continued)

(ii) Structured entities sponsored by third party financial institutions

As at 31 December 2021 and 31 December 2020, the amount of maximum exposure and the book value of relevant balance sheet items of the Group arising from the interest held of directly invested structured entities sponsored by third party financial institutions were equal, which set out as below:

	31 December 2021	31 December 2020
Financial assets at fair value through profit or loss	44,034,920	34,863,966

49 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or customers. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Repurchase transactions

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase transactions. The counterparties are allowed to re-pledge those securities sold under repurchase transactions in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require counterparties to return part of collateral or be required to place additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognize them. A financial liability is recognized for cash received.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

49 TRANSFERRED FINANCIAL ASSETS (Continued)

Securities lending arrangements

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities selling transactions, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. If the securities increase or decrease in value, the Group may in certain circumstances be required to return part of collateral or require counterparties to place additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognize them.

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	31 December 2021	31 December 2020
Carrying amount of transferred assets		
– Securities lending	2,582,014	2,185,237
Total	2,582,014	2,185,237

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

50 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Capital commitments

	31 December 2021	31 December 2020
Contracted, but not provided for	52,023	29,669

The above-mentioned capital commitments are primarily in respect of the equity investment, purchase of equipment and decoration of properties by the Group.

(2) Legal proceedings

The Company and its subsidiaries are subject to claims and are parties to legal and regulatory proceedings in their ordinary course of businesses. As at 31 December 2021 and 31 December 2020, management of the Group believes that the Group was not involved in any material legal, or arbitration proceedings that if adversely determined, would have material impact on its financial position or results of operations of the Group.

51 RELATED PARTY DISCLOSURES

(1) Beijing State-owned Capital Operation and Management Center

From January 1 to November 30, 2020, Beijing State-Owned Capital Operation and Management Center ("Beijing State Management Center") owned 35.11% of the equity interest of the Company.

Beijing State Management Center was established by State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality, which is a People-owned enterprise controlled by the PRC government.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

51 RELATED PARTY DISCLOSURES (Continued)

(1) Beijing State-owned Capital Operation and Management Center (Continued)

The transactions between Beijing State Management Center and the Group are in the ordinary course of business under normal commercial terms and conditions. Corresponding transactions and balances with this institution were as follows:

	Year ended 31 December 2021	Eleven months ended 30 November 2020
Fee and commission income	N/A	940
Interest expenses	N/A	(22)

In January 2020, the Company received a notice from the original largest shareholder, Beijing State Management Center, who intended to transfer all of its holding of 2,684,309,017 A-shares, representing 35.11% of the total share capital of the Company, to Beijing Financial Holdings Group Co., Ltd. ("Beijing Financial Holdings Group") for nil consideration ("Transfer"). In March 2020, Beijing State Management Center and Beijing Financial Holdings Group signed the Agreement on the Transfer. The Transfer was approved by State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality in March 2020 and approved by CSRC in October 2020, respectively. The Transfer registration was completed on 30 November 2020.

After the completion of the Transfer, Beijing State Management Center no longer holds any shares in the Company, and Beijing Financial Holdings Group directly holds 2,684,309,017 A-shares, representing 35.11% of the total share capital of the Company, making it the largest shareholder of the Company. The Transfer has no impacts on the Company's non-controlling shareholders and the status that the Company has no actual controlling person.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

51 RELATED PARTY DISCLOSURES (Continued)

(2) Beijing Financial Holdings Group and companies under Beijing Financial Holdings Group

As a result of the Company's non-public offering of A-shares in December 2020, the percentage of shareholding of Beijing Financial Holdings Group has declined passively. As at 31 December 2021 and 31 December 2020, Beijing Financial Holdings Group owned 34.61% of the equity interest of the Company.

Beijing Financial Holdings Group was established by State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality, which is an integrated financial investment holding platform and managed as a municipal level I enterprise.

The transactions between Beijing Financial Holdings Group and the Group are in the ordinary course of business under normal commercial terms and conditions. Corresponding transactions and balances with this institution were as follows:

	Year ended 31 December 2021	One month ended 31 December 2020
Interest income	424	—
Fee and commission expenses	(1,259)	—
Interest expenses	(161)	—
Other operating expenses and costs	(97)	—

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

51 RELATED PARTY DISCLOSURES (Continued)

(2) Beijing Financial Holdings Group and companies under Beijing Financial Holdings Group (Continued)

	31 December 2021	31 December 2020
Assets		
Cash and bank balances	163,799	–
Financial assets at fair value through profit or loss	100,307	–
Liabilities		
Other current liabilities	26	–
Accounts payable to brokerage clients	1	–

(3) Central Huijin and companies under Central Huijin

As at 31 December 2021 and 31 December 2020, Central Huijin Investment Limited (“Central Huijin”) owned 30.76% of the equity interest of the Company.

Central Huijin is a wholly-owned subsidiary of China Investment Corporation, which is incorporated in Beijing, the PRC. Central Huijin has equity interests in certain other banks and financial institutions under the direction of the PRC government and does not engage in other commercial activities. Central Huijin exercises its legal rights and assumes obligations related to the Company on behalf of the PRC Government.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

51 RELATED PARTY DISCLOSURES (Continued)

(3) Central Huijin and companies under Central Huijin (Continued)

The Group enters into transactions with Central Huijin and its affiliated companies in the ordinary course of business under normal commercial terms. Corresponding transactions and balances with these banks and financial institutions were as follows:

	Year ended 31 December	
	2021	2020
Fee and commission income	134,997	73,797
Interest income	403,866	348,892
Other income	1,894	2,888
Fee and commission expenses	(113,298)	(108,902)
Interest expenses	(160,979)	(138,635)
Other operating expenses and costs	(766)	(547)

	31 December 2021	31 December 2020
Assets		
Financial assets at fair value through other comprehensive income	10,473	1,167,141
Financial assets at fair value through profit or loss	4,687,554	2,645,946
Derivative financial assets	119,640	16,525
Cash held on behalf of clients	15,630,605	8,359,056
Cash and bank balances	5,305,147	2,883,531
Accounts receivable	35,095	31,916
Right of use assets	4,721	900
Other current assets	20,310	–
Liabilities		
Accounts payable to brokerage clients	15,315	17,430
Derivative financial liabilities	214,888	82,732
Financial assets sold under repurchase agreements	6,269,076	4,146,840
Short-term borrowings	81,767	–
Other current liabilities	796,087	77,513
Lease liabilities	4,544	849

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

51 RELATED PARTY DISCLOSURES (Continued)

(4) Government related entities

According to the provisions of IAS 24 – Related Parties Disclosures, government entities controlled and jointly controlled by the PRC government and their subsidiaries (the “government related entities”) are also regarded as related parties of the Group.

Part of the Group’s transactions including securities and futures dealing and broking, underwriting of debt securities, purchase and sale of government bonds, and equity and debt securities issued by other government related entities are entered into with government related entities.

Directors of the Company consider that transactions with government related entities are activities conducted in the ordinary course of business under normal commercial terms and conditions, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the counterparties are government related entities.

(5) Other major shareholders and its related parties

The Group’s major transactions and balances with other major shareholders and its related parties were as follows:

	Year ended 31 December	
	2021	2020
Fee and commission income	29,330	23,956
Interest income	223,726	91,628
Fee and commission expenses	(67,203)	(45,012)
Interest expenses	(17,923)	(14,789)
Other operating expenses and costs	(4,981)	(3,793)

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

51 RELATED PARTY DISCLOSURES (Continued)

(5) Other major shareholders and its related parties (Continued)

	31 December 2021	31 December 2020
Assets		
Financial assets at fair value through other comprehensive income	–	518,466
Financial assets at fair value through profit or loss	1,157,115	237,674
Derivative financial assets	26,262	790
Cash held on behalf of clients	5,920,567	8,425,770
Cash and bank balances	1,101,030	719,343
Accounts receivable	35,098	18,051
Other current assets	284	–
Liabilities		
Accounts payable to brokerage clients	672,376	603,806
Derivative financial liabilities	9,781	15,262
Financial assets sold under repurchase agreements	–	1,388,121
Other current liabilities	13,809	20,507

(6) The Group's associates

The Group entered into transactions with its associates at arm's length in the ordinary course of business. Management considers that transactions between the Group and its associates are not significant.

(7) Key management personnel

Key management personnel are those who have the authority and responsibility to directly or indirectly plan, direct and control the Group activities, including the board of directors, the board of supervisors and other senior management personnel.

Notes to the Consolidated Financial Statements (Continued)

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51 RELATED PARTY DISCLOSURES (Continued)

(7) Key management personnel (Continued)

The Group's remuneration paid for key management personnel is disclosed as follows:

	Year ended 31 December	
	2021	2020
Salaries, bonuses and allowances	133,439	141,704
Staff benefits	1,349	1,332
Contributions to defined contribution schemes	2,427	3,730
Total	137,215	146,766

For the year ended 31 December 2021, the remuneration of these individuals above includes 2017 pre-tax deferred bonus paid in 2021. For the year ended 31 December 2020, the remuneration of these individuals above includes 2016 pre-tax deferred bonus paid in 2020.

52 FAIR VALUE AND FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: where the inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: where the inputs are observable for the assets and liabilities, either directly or indirectly, other than quoted prices in Level 1.

Level 3: where the inputs are unobservable inputs for relevant assets or liabilities.

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

The Group uses valuation techniques or counterparty quotations to determine fair value when market prices are not available in active markets.

The major parameters used in valuation techniques include, among others, underlying securities prices, interest rates, foreign exchange rates, volatilities, which are all observable and available from an active market.

For certain unlisted equity securities (private equity securities), thinly traded equity securities, subordinated tranche of asset-backed securities, certain over-the-counter derivative contracts and trust plans, the management uses counterparty quotations or valuation techniques to determine their fair value. Valuation techniques used primarily include discount cash flow model, option pricing model and comparable companies methods, etc. The fair value measurement of these financial instruments may use unobservable inputs that may have significant impact on the valuation results, and therefore, the Group includes them as Level 3 assets and liabilities. The unobservable parameters that may have impacts on the valuation include, among others, liquidity discount, price to book ratio and volatility of underlying assets. As at 31 December 2021 and 31 December 2020, the fair value of the financial assets and liabilities classified under level 3 is not significantly sensitive to a reasonable change in these unobservable inputs. The Group has implemented internal control procedures to monitor and control the Group's exposures to such financial instruments.

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

(1) Financial instruments recorded at fair value

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
– Debt instruments	7,974,743	79,186,453	56,572	87,217,768
– Equity investments	20,990,911	35,274	6,767,301	27,793,486
– Fund investments	9,607,676	6,998,598	167	16,606,441
– Others	5,220	26,259,353	3,665,648	29,930,221
Subtotal	<u>38,578,550</u>	<u>112,479,678</u>	<u>10,489,688</u>	<u>161,547,916</u>
Financial assets at fair value through other comprehensive income				
– Debt instruments	2,123,695	46,136,443	401	48,260,539
– Equity instruments	97,607	–	–	97,607
Subtotal	<u>2,221,302</u>	<u>46,136,443</u>	<u>401</u>	<u>48,358,146</u>
Derivative financial assets	<u>307,716</u>	<u>1,643,790</u>	<u>566,436</u>	<u>2,517,942</u>
Total assets	<u>41,107,568</u>	<u>160,259,911</u>	<u>11,056,525</u>	<u>212,424,004</u>
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	1,029,622	–	–	1,029,622
– Financial liabilities designated as at fair value through profit or loss	–	–	6,770,267	6,770,267
Subtotal	<u>1,029,622</u>	<u>–</u>	<u>6,770,267</u>	<u>7,799,889</u>
Derivative financial liabilities	<u>300,537</u>	<u>1,761,219</u>	<u>2,233,570</u>	<u>4,295,326</u>
Total liabilities	<u>1,330,159</u>	<u>1,761,219</u>	<u>9,003,837</u>	<u>12,095,215</u>

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(1) Financial instruments recorded at fair value (Continued)

	31 December 2020			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
– Debt instruments	9,251,365	73,041,875	21,892	82,315,132
– Equity investments	13,741,958	1,717,204	2,619,626	18,078,788
– Fund investments	6,463,824	3,996,984	167	10,460,975
– Others	5,000	25,387,384	2,408,369	27,800,753
Subtotal	<u>29,462,147</u>	<u>104,143,447</u>	<u>5,050,054</u>	<u>138,655,648</u>
Financial assets at fair value through other comprehensive income				
– Debt instruments	1,966,454	42,847,816	2,494	44,816,764
– Equity instruments	54,948	3,225,144	–	3,280,092
Subtotal	<u>2,021,402</u>	<u>46,072,960</u>	<u>2,494</u>	<u>48,096,856</u>
Derivative financial assets	<u>323,043</u>	<u>970,900</u>	<u>338,266</u>	<u>1,632,209</u>
Total assets	<u><u>31,806,592</u></u>	<u><u>151,187,307</u></u>	<u><u>5,390,814</u></u>	<u><u>188,384,713</u></u>
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	–	5,140	–	5,140
– Financial liabilities designated as at fair value through profit or loss	–	–	1,590,589	1,590,589
Subtotal	<u>–</u>	<u>5,140</u>	<u>1,590,589</u>	<u>1,595,729</u>
Derivative financial liabilities	<u>300,745</u>	<u>779,006</u>	<u>1,344,869</u>	<u>2,424,620</u>
Total liabilities	<u><u>300,745</u></u>	<u><u>784,146</u></u>	<u><u>2,935,458</u></u>	<u><u>4,020,349</u></u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(2) Movements in Level 3 Financial Instruments measured at fair value

Movements in Level 3 Financial Instruments measured at fair value in each year are as follow:

	Year ended 31 December 2021				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2021	5,050,054	2,494	338,266	1,590,589	1,344,869
Total gains or losses for the year	46,199	6,783	521,633	473,149	1,648,446
Total gains recorded in other comprehensive income	-	(31)	-	-	-
Increases	8,915,820	-	360,004	14,935,089	1,208,471
Decreases	(7,531,674)	(8,845)	(653,467)	(10,228,560)	(1,968,216)
Transfers to Level 3 from Level 2	4,009,289	-	-	-	-
31 December 2021	<u>10,489,688</u>	<u>401</u>	<u>566,436</u>	<u>6,770,267</u>	<u>2,233,570</u>
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	46,199	6,783	521,633	(473,149)	(1,648,446)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(2) Movements in Level 3 Financial Instruments measured at fair value (Continued)

Movements in Level 3 Financial Instruments measured at fair value in each year are as follow (Continued):

	Year ended 31 December 2020				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2020	4,213,138	2,497	175,754	608,183	386,288
Total gains or losses for the year	196,041	–	346,861	139,360	1,218,720
Total gains recorded in other comprehensive income	–	(1,010)	–	–	–
Increases	3,185,327	–	158,373	2,839,308	598,791
Decreases	(2,007,952)	–	(342,722)	(1,996,262)	(858,930)
Transfers to Level 3 from Level 1	32,239	–	–	–	–
Transfers to Level 3 from Level 2	114,934	1,007	–	–	–
Transfers to Level 1 from Level 3	(233,305)	–	–	–	–
Transfers to Level 2 from Level 3	(450,368)	–	–	–	–
31 December 2020	<u>5,050,054</u>	<u>2,494</u>	<u>338,266</u>	<u>1,590,589</u>	<u>1,344,869</u>
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	<u>196,041</u>	<u>–</u>	<u>346,861</u>	<u>(139,360)</u>	<u>(1,218,720)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(3) Important unobservable input value in fair value measurement of Level 3

The fair value of financial instruments under Level 3 are primarily determined by discounted cash flow model, option pricing model and comparable companies methods, etc. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are primarily based on the significance of the unobservable inputs which mainly include liquidity discount, price to book ratio, volatility of underlying assets and others to the overall fair value measurement.

(4) Transfers between Level 1 and Level 2

During the year ended 31 December 2021, the amount of financial assets at fair value through profit and loss from Level 1 to Level 2 were RMB10.01 million and the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB504.05 million.

During the year ended 31 December 2020, the amount of financial assets at fair value through profit and loss from Level 1 to Level 2 were RMB459.41 million and the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB7.53 million.

(5) Financial assets and financial liabilities not measured at fair value

The information below summarizes the carrying amounts and fair values of those financial assets and liabilities not measured at fair value in the consolidated statement of financial position. As at 31 December 2021 and 31 December 2020, financial assets and financial liabilities for which the carrying amounts approximate fair value, including financial assets held under resale agreements, refundable deposits, margin accounts, accounts receivable, cash held on behalf of clients, cash and bank balances, lease liabilities, accounts payable to brokerage clients, financial assets sold under repurchase agreements, placements from banks and other financial institutions, short-term borrowings and short-term financing instruments payable are not listed in the table below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

(5) Financial assets and financial liabilities not measured at fair value (Continued)

As at 31 December 2021 and 31 December 2020, the carrying amounts and fair value of bonds in issue (including bonds in issue with maturity within one year) are summarized below:

	31 December 2021	31 December 2020
Bonds in issue (including bonds in issue with maturity within one year)		
– Carrying amount (Notes 42 and 43)	104,313,984	65,320,499
– Fair value	104,852,092	65,557,195

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The management considers effective risk management a critical element in ensuring the Group's successful operations. Therefore, the Group has established a set of comprehensive risk management and internal control systems to enable the Group to monitor, evaluate and manage various financial risks in its business activities, including primarily credit risk, market risk, liquidity risk and operational risk, etc.

The Group's risk management and control system is not significantly changed compared to 31 December 2020.

Structure of risk management

The Board

The Board of Directors is the Company's highest decision-making body in risk management, the executive management is the execution body, whilst different units are responsible for directly managing the risks they face in their business or operational activities. The Company has three dedicated risk control departments, namely the Risk Management Department, the Legal and Compliance Department and the Audit Department, which independently monitor and manage risks before the event, during the event and after the event, as per their respective roles and responsibilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Structure of risk management (Continued)

The Board (Continued)

The Board of Directors is the Group's highest decision-making body in risk management, which makes decisions with respect to the Group's overall risk management strategies and policies, fundamental systems, internal control arrangements, and actions to address material risks faced by the Group, among other things.

The Risk Management Committee under the Board of Directors is responsible for supervising the overall risk management of the Group and ensuring the associated risks are adequately managed so that risk management activities can be effectively carried out through the Group's business and operating activities. The Board's Risk Management Committee also has the following responsibilities: preparing the overall risk management policies for the Board's deliberation; determining the strategic structure and resources for risk management so that they are aligned with the internal risk management policies; setting limits for major risks; and supervising and reviewing the risk management policies and making recommendations to the Board.

The Operation Management

The Company's Executives Committee makes overall decisions with respect to the prevention, control, mitigation, or acceptance of risks in the Group's business and operating activities and makes decisions on efforts to improve the internal control rules and procedures and control measures in accordance with the risk management policies adopted by the Board.

The Company Risk Management Committee of the Executives Committee is responsible for discussing and proposing the Group's risk preference and tolerance as well as overall risk limits, important specific risk limits and risk control criteria for further decision-making; review and approval of specific risk limits and risk control criteria for each business lines; drafting and promoting the implementation of various risk management rules and measures; review and approval of new businesses and products; review and approval of the Group's risk reports and routine compliance risk reports; and formulating risk control strategies and plans for material business matters.

The Chief Risk Officer of the Company is responsible for leading risk management activities across the Company, including organizing the formulation of relevant risk management rules and procedures, improving the Group's comprehensive risk management practices, organizing the pilot work of consolidated risk control and monitoring, and guiding the Risk Management Department in the identification, evaluation, monitoring and reporting of various risks.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Structure of risk management (Continued)

The Department, Branch and Subsidiary

Each and every department and branch/subsidiary of the Group, whose responsible person assumes primary responsibility for the risk management of the unit, within their respective roles and responsibilities, is responsible for following the decisions, rules and procedures, and risk management policies, and implementing risk-control measures and engaging in direct risk control efforts in their business activities. Every staff of the Group has the responsibility of diligence, prudent prevention and timely reporting on the effectiveness of risk management.

The Risk Management Department that is responsible for risk management of the Group, the Legal and Compliance Department that is responsible for legal affairs and compliance management, and the Audit Department that is responsible for the Group's internal audit activities are the three independent risk management functions that establish their own rules and procedures and operate independently to promote risk management of the Group. Specifically, the Risk Management Department is responsible for risk management before and during the event through risk monitoring and assessment, the Legal Compliance Department is responsible for managing the overall legal and compliance risks of the Group, and the Audit Department is responsible for conducting audits to identify material defects in key rules and procedures and processes, as well as internal control weakness, and supervising corrections and rectifications.

In addition, pursuant to the needs of risk management in investment banking business, aligned with the regulatory requirements, the Company has established the Internal Audit Department. Through such review at the company level, the Company conducts final risk control prior to the delivery of investment banking projects, and assumes the decision making responsibility of the ultimate approval of materials and documents to be submitted, reported, issued or disclosed in the name of the Company.

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk management activities

The Risk Management Department works with business and management departments to identify major risks and critical controls during the course of different business and management activities, issue the “Risk Classification and Key Control List”, and continue to update the same in light of business changes and monitoring findings.

The Group establishes a before-the-event risk control mechanism. It focuses on each of the main business lines to formulate specific risk limits and risk control standards, and has explicit procedures of risk control; the Risk Management Department and the Legal and Compliance Department have involved in the review of new businesses and new products, and participated in the before-the-event evaluation for important projects and the operation system, and have expressed their opinions independently; important risk control parameters are directly under the management and control of the Risk Management Department, which also conducts independent verification for valuation model of financial instruments before going online.

The Risk Management Department formulates the risk monitoring processes and indicators for key business and management lines. In particular, risk monitoring indicators for brokerage business, proprietary business, securities financing business, asset management business and custodian business as well as risk control indicators including net capital are monitored through the monitoring system, while the risk monitoring for other business or management lines primarily relies on regular and ad hoc monitoring by means of on-site monitoring, risk information reporting, data access and regular meetings.

The Company also formulates operational process for risk assessment, and determines main assessment methods and qualitative and quantitative risk rating criteria for various types of risks. The Risk Management Department assesses and rates the risk matters on an ongoing basis, evaluates the control of major business risks on a regular basis, and conducts comprehensive year-end assessments of the risk control process, risk events and positions, and risk incidents of the departments, branches and subsidiaries as a key component of their performance assessment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk management activities (Continued)

The Group has formulated guidelines for various types of risk management and control, including market risk, credit risk, operational risk, liquidity risk and reputation risk, in order to guide and regulate the response to risks in various business lines. The Group has established crisis management mechanism and programs, and has formulated effective contingency response measures and plans for various businesses, especially for key risks and emergencies such as liquidity crisis, accidents on transaction system and major public health incidents, while emergency response mechanism has been established and is drilled sporadically on a regular or irregular basis.

The Risk Management Department establishes a mechanism for the transfer of risk information and significant risk warnings. The Group establishes the risk information management mechanism, including transferring and managing risk information, and providing significant risk warnings. The Risk Management Department is responsible for formulating operational procedures for communicating and reporting risk information and issuing risk warnings, and the departments and branches and subsidiaries report risk information or issue warnings on potential risks identified by themselves to the Risk Management Department. The Risk Management Department then manages the risk information, performs comprehensive analyses on various risk information to identify risk control weaknesses and loopholes and propose recommendations on improving risk control, reports significant risks to the Chief Risk Officer and executive management or a Risk Management Committee, and at the same time, communicates risk information to relevant departments, while tracking any follow-up activities. The Risk Management Department prepares risk reports and risk control recommendation reports according to the results on risk identification, monitoring and assessment, and reports the findings to involved parties and the executive management of the Company. The Risk Management Department continuously monitors risks and the risk control status by following up on the implementation of risk control recommendations by relevant parties in managing risks identified in the risk reports.

Risk analysis and control

Financial risks in the Group's daily operating activities primarily include market risk, liquidity risk, credit risk, and operational risk. The Group has established specific policies and procedures to identify and address these risks, set out appropriate risk limits and internal control processes to manage these risks, and built integrated control system and information technology systems to continuously monitor these risks.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk

Credit risks refer to the risks of an economic loss caused by the failure of customers, counterparties or issuers of debt financing instruments (also referred to as financiers) to perform their contractual obligations.

Credit risks of the Group relating to the securities financing business, which includes margin financing and stock pledge repurchase agreement, are primarily attributed to a decline in value, or insufficient liquidity of collateral provided by customers; customers' failure to repay debts in full in a timely manner due to legal disputes over collateral assets; and operational misconducts including fraudulent credit information, violation of contracts and regulatory requirements. Control over credit risks for the securities financing business is managed primarily through risk management education programs for customers, credit due diligence and verification of customers, risk assessment on collateralized (pledged) securities, setup of trading limits, daily mark to market of exposure, issuing risk notification to customers, margin calls, forced position liquidation and legal recourse. The Group performs an assessment of the need for any allowance for impairment in accordance with the ECL model of the accounting standards of IFRS 9, and actively carries out debt recovery activities for defaulting customers.

Credit risk relating to bond investments is primarily due to the decline in the creditworthiness of credit issuer of the debt financing instruments or defaults, counterparty defaults. The Group carries out due diligence for issuers and counterparties, establishes internal ratings for issuers, debts and counterparties, manages the access and size of transactions according to the internal and external rating, and controls credit risk using other tools for subsequent monitoring and management. In 2021, the Group further tightened the quality of its investment portfolio, strengthened due diligence of investment targets and counterparties and credit risk management measures to improve the capability of credit risk management, default losses were at low level.

The Group controls credit risks relating to over-the-counter derivative transactions by setting counterparty ratings and credit lines, and setting limits on the size of transactions and related credit risk exposures before transactions can take place. The Group monitors and controls credit risk exposure of counterparties within established limits by adopting mark-to-market practices of derivative transactions and related collateral as well as forced position liquidating procedures.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

In order to manage the credit risk arising from the brokerage business, securities brokerage transactions in mainland China are all settled on a fully pledged basis, which enables settlement risks associated with brokerage business to be well under control. The Group strictly complies with relevant trading and settlement rules and procedures to prevent non-compliant financing operations for clients. In addition, for repurchase agreement transaction, through due diligence, establishment of reasonable customer limits and haircut on collateral bonds, setting standards for minimum collateral level of qualified securities and leverage ratios, concentration limits for single securities used as collateral and other measures, the Group prevents customer under-collateralisation. For option transactions, the Group takes measures including margin deposit management, limits setting and forced liquidation control to manage customers' credit risk.

Furthermore, the Company's Risk Management Department monitors credit risk on an ongoing basis, including monitoring the total amount of credit transactions and credit exposures of the same customer, tracking the qualifying credit status of counterparties and bond issuers, monitoring the collateral coverage of securities and financial business, requiring the business department to fulfill its post-investment management duties, as well as using stress testing and sensitivity analysis, amongst other techniques, to measure the credit risk of major business lines.

Expected credit loss measurement

The measurement of the ECL allowance for the debt financial instruments measured at amortized cost and at fair value through other comprehensive income, is an area that requires the use of models and assumptions about the future economic conditions and credit behavior of the clients (such as the likelihood of customers defaulting and the resulting losses).

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

The Group has applied a “three-stage” impairment model for ECL measurement based on changes in credit quality since the initial recognition of financial assets as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified as “Stage 1” and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”.

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL. Stage 2 and Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. The Group has measured the loss allowance for these financial instruments at an amount equal to the lifetime ECL.

For financial assets applied ECL measurement and classified under Stages 1 and 2, management assesses credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”). For credit-impaired financial assets classified under Stage 3, management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration forward looking factors.

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

The measurement of ECL adopted by the management according to IFRS 9, involves judgements, assumptions and estimations.

- Selection of the appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Determination of forward-looking measurements and weightings; and
- The estimated future cash flows for the financial assets classified under Stage 3.

Measuring ECL – models and parameters

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The Group fully considers forward-looking information when measuring ECL. ECL are the discounted product of the PD, LGD, and EAD after considering the forward-looking impact.

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For securities financing business, the Group determines the PD by borrower based on factors including the coverage ratio of underlying collateral value to margin loan (collateral to loan ratio) and the volatility of such collateral's valuation. For debt securities investments, internal credit rating is taken into consideration.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Measuring ECL – models and parameters (Continued)

- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For securities financing business, the Group determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and type of securities.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

The criteria of Significant increase in credit risk (SICR)

The Group evaluates debt financial instruments to identify whether a SICR has occurred since initial recognition at each balance sheet date. An ECL allowance of financial assets is recognized according to the stage in which the assets are classified. This took account of what reasonable information, including forward looking information, is available to identify whether a SICR had arisen. The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For securities financing business, the Group sets differentiated collateral to loan ratios as triggering margin calls and force liquidation thresholds (force liquidation thresholds generally no less than 130%) against different exposures related to these transactions, based on the obligors' credit quality, operation situation, contract maturity date, the volatility and liquidity of related collateral securities, and related performance information.

For securities financing business, the Group considered securities financing business to have experienced a SICR if collateral to loan ratios are lower than the force liquidation thresholds, which means a decline in collateral valuation or the quality of the third-party collateral is significantly reduced. As at 31 December 2021 and 31 December 2020, over 95% of the securities financing balances of the Group were covered by collateral value of over the force liquidation thresholds of related loan or repo amounts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

The criteria of Significant increase in credit risk (SICR) (Continued)

For debt securities investments, the Group makes use of its internal rating measurement system's results. The Group considers debt securities investments to have experienced a SICR if the latest internal ratings of the issuers of debt securities or the debt securities themselves underwent two notches of downward migration or more, compared with those ratings as at the acquisition date; and if the latest internal rating of issuers of debt securities or the debt securities themselves were under the predetermined grading. As at 31 December 2021 and 31 December 2020, majority of the debt securities investments of the Group were rated as investment grade or above and there was no SICR.

A backstop is applied to all relevant financial assets and they are considered to have experienced a SICR if the borrower, the counterparty, the issuer or the debtor is more than 30 days past due on its contractual payments.

The Group has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under resale agreements collateralized by debt securities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Definition of default and credit impairment

The Group assesses whether a financial instrument has been credit-impaired in a manner consistent with its internal credit risk policies for managing financial instruments. The consideration includes qualitative criteria, quantitative criteria and upper limit. The Group defines a financial instrument as credit-impaired, which is fully aligned with the definition of “in default”, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;
- For securities financing business, forced liquidation of a client’s position is triggered based on a predetermined threshold of loan to collateral ratios; whereby the collateral valuation falls short of the related loan or repo amounts;
- The latest internal ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor, issuer, borrower or counterparty is in significant financial difficulty;
- An active market for that financial asset has disappeared because of debtor’s financial difficulties;
- Concessions have been made by the Group relating to the debtor, issuer, borrower or counterparty’s financial difficulty;
- It is becoming probable that the debtor, issuer, borrower, or counterparty will enter bankruptcy or undertake a financial restructuring, etc.

When a financial asset is considered to be credit-impaired, it may be the result of multiple events, not due to a separately identifiable event.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Definition of default and credit impairment (Continued)

In summary, the “three-stage” classification criteria for securities financing business is:

- Securities financing business with collateral to loan ratios above the force liquidation thresholds and those past due for no more than 30 days are classified under Stage 1.
- Securities financing business with collateral to loan ratios fall below the pre-determined force liquidation thresholds but above 100%; or those past due for more than 30 days but no more than 90 days are classified under Stage 2.
- Securities financing business with collateral to loan ratios fall below 100%; or those past due for more than 90 days are classified under Stage 3.

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical data analysis and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. Key economic variables mainly include the cumulative growth rate of Domestic Gross Domestic Product (GDP), Producer Price Index (PPI), Fixed Asset Investments Completion Rate and the growth rate of the financial institutions' loan balances. Regression analysis has been performed to determine the relationships between these economic variables and macro factors. The Group forecasts the economic variables under different economic scenarios and applies them in the measurement of ECL with Merton Model.

For all portfolios the Group concluded that three scenarios appropriately captured non-linearities of key economic variables. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The Group reevaluates the quantity and characteristic of these scenarios at each balance sheet date. As at 31 December 2021 and 31 December 2020, the Group set three scenarios of optimism, base and pessimism for analysis of main product types, and the probability-weight of base scenario adopted by the Group was more than that of the other scenarios.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Definition of default and credit impairment (Continued)

Forward-looking information (Continued)

In 2021, the Company's key macroeconomic assumptions used in various macroeconomic scenarios include a month-on-month forecast of -5.43% of macroeconomic prosperity warning index, -2.01% of the average guarantee ratio in the margin market, under the base scenario. In optimistic and pessimistic scenarios, the above indicators' forecast value changes around benchmark value by no more than positive or negative 40%.

The assessment of SICR is performed using the Lifetime PD under each of the base and other scenarios multiplied by the associated scenario weighting, as well as qualitative criteria, quantitative criteria and upper limit. The Group measures ECL as either a probability weighted 12-month ECL or a probability weighted lifetime ECL. These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

As at 31 December 2021, by taking current economy situation, pandemic's impact and supporting policies applied by the government into comprehensive consideration, the Group updated forward-looking factors. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, weighting applied to economic scenarios and other factors considered when applying expert judgement. Changes in these inputs, assumptions and judgements are likely to have an impact on the measurement of ECLs.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Definition of default and credit impairment (Continued)

Sensitivity analysis (Continued)

As mentioned above, the Group adopts three scenarios for all portfolios, being the optimistic scenario, base scenario and pessimistic scenario. A sensitivity analysis was applied to these scenarios as at 31 December 2021 and 31 December 2020 and the results were as follows:

- (i) The incremental impact on the ECL allowance of applying the probability weighted scenarios was no more than a 5% deviation from the base ECL scenario;
- (ii) The decremental impact on the ECL allowance of increasing the weighting applied to the optimistic scenario by 10% and a corresponding reduction of 10% weighting applied to the base scenario was no more than 5% of the ECL allowance;
- (iii) The incremental impact of shifting 10% of the weighting from the base case scenario to the pessimistic scenario was no more than 5% of the ECL allowance.

Meanwhile, the Group also uses sensitivity analysis to monitor the impact of changes to the credit risk classification of financial assets on ECL. As at 31 December 2021 and 31 December 2020, assuming there was no SICR since initial recognition, and all the financial assets in Stage 2 were moved to Stage 1, the decremental impact on ECL allowance recognized in statement of financial position would be less than 5%.

Collateral and other credit enhancements

The Group employed a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these is accepting collateral for funds advanced or guarantee. The Group determined the type and amount of collateral according to the credit risk evaluation of counterparties. The collateral under margin financing and reverse repurchase agreements is primarily stocks, debt securities, funds etc. The management would test the market value of collateral periodically, and send margin calls according to related agreements, also monitor the market value fluctuation of collaterals when reviewing the measurement of the loss allowance.

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Definition of default and credit impairment (Continued)

Impairment provision of securities financing business

As at 31 December 2021, the percentage of impairment provision applied by the Group on securities financing business under the Stage 1, Stage 2 and Stage 3 were 0.21% · 4.12% and 70.85%, respectively (31 December 2020: 0.26% · 0.54% and 71.63%).

Credit risk exposure analysis

As at 31 December 2021 and 31 December 2020, the credit quality of the Group's financing exposures to customers was in good condition and over 95% of the securities financing business of the Group were with collateral to loan ratios no lower than the force liquidation thresholds. High threshold of margin loans to collateral ratios indicated that PD was low. For debt securities investments, the Group employed both open market credit ratings and internal credit ratings simultaneously as admittance criteria. The debt securities will be admitted only when the internal and external ratings criteria are met. Majority of the Group's debt securities investments were rated as investment grade (AA) or above externally.

The Group's maximum exposure to credit risk without taking into account of any collateral and other credit enhancements:

	31 December 2021	31 December 2020
Financial assets at fair value through other comprehensive income	48,260,539	44,816,764
Financial assets held under resale agreements	19,021,754	16,117,203
Refundable deposits	10,395,629	8,740,991
Margin accounts	57,808,146	46,515,175
Financial assets at fair value through profit or loss	128,418,814	117,437,377
Derivative financial assets	2,517,942	1,632,209
Cash held on behalf of clients	88,118,755	70,268,389
Deposits in banks	36,002,716	28,580,085
Others	23,663,592	8,559,953
Total maximum credit risk exposure	414,207,887	342,668,146

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

ECL	31 December 2021			Total
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired)	
Financial assets held under resale agreements				
Carrying amount	18,338,264	–	1,325,320	19,663,584
Loss allowance	(12,703)	–	(629,127)	(641,830)
Book value	<u>18,325,561</u>	<u>–</u>	<u>696,193</u>	<u>19,021,754</u>
Including: stock-pledged repurchase business				
Carrying amount	3,026,091	–	1,325,320	4,351,411
Loss allowance	(12,703)	–	(629,127)	(641,830)
Collateral	<u>11,840,014</u>	<u>–</u>	<u>2,632,884</u>	<u>14,472,898</u>
Margin accounts				
Carrying amount	57,923,903	1,362	1,062,781	58,988,046
Loss allowance	(117,063)	(56)	(1,062,781)	(1,179,900)
Book value	<u>57,806,840</u>	<u>1,306</u>	<u>–</u>	<u>57,808,146</u>
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	<u>48,260,138</u>	<u>–</u>	<u>401</u>	<u>48,260,539</u>
Loss allowance	(417,714)	–	(13,372)	(431,086)

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

ECL	31 December 2020			Total
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired)	
Financial assets held under resale agreements				
Carrying amount	15,219,754	106,378	1,876,840	17,202,972
Loss allowance	(41,902)	(576)	(1,043,291)	(1,085,769)
Book value	<u>15,177,852</u>	<u>105,802</u>	<u>833,549</u>	<u>16,117,203</u>
Including: stock-pledged repurchase business				
Carrying amount	7,649,363	106,378	1,876,840	9,632,581
Loss allowance	(41,415)	(576)	(1,043,291)	(1,085,282)
Collateral	<u>37,293,861</u>	<u>300,487</u>	<u>3,213,311</u>	<u>40,807,659</u>
Margin accounts				
Carrying amount	46,611,235	60	1,072,550	47,683,845
Loss allowance	(99,346)	(2)	(1,069,322)	(1,168,670)
Book value	<u>46,511,889</u>	<u>58</u>	<u>3,228</u>	<u>46,515,175</u>
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	<u>44,814,270</u>	<u>–</u>	<u>2,494</u>	<u>44,816,764</u>
Loss allowance	<u>(297,592)</u>	<u>–</u>	<u>(20,124)</u>	<u>(317,716)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

The movements of loss allowance are mainly affected by:

- Increases are primarily attributable to new financial instruments recognized, changes in PD, LGD and expected cash flow recovery rate affected by market changes, the resulted movements amongst Stage 1, Stage 2 and Stage 3, and updates of parameters and assumptions in the ECL model;
- Reversals include the reversals caused by the redemption or disposal of financial assets, the impact of changes in model parameters and assumption;
- Transfers between stages due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding measurement basis changes between the 12-month (12M) or the Lifetime basis; and
- Foreign exchange and other movements include changes in foreign exchange translations for assets denominated in foreign currencies and other movements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognized as follows according to the stage of ECL:

(i) Credit loss allowance for margin accounts

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2021	99,346	2	1,069,322	1,168,670
Increases	95,814	54	2,197	98,065
Reversals	(78,089)	–	(5,170)	(83,259)
Write-offs	–	–	(341)	(341)
Transfer:				
Stage 1 to stage 2	(2)	2	–	–
Stage 1 to stage 3	(1)	–	1	–
Stage 2 to stage 1	2	(2)	–	–
Foreign exchange and other movements	(7)	–	(3,228)	(3,235)
31 December 2021	<u>117,063</u>	<u>56</u>	<u>1,062,781</u>	<u>1,179,900</u>

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2020	67,013	1	1,081,335	1,148,349
Increases	69,664	2	5,218	74,884
Reversals	(37,327)	–	(9,532)	(46,859)
Write-offs	–	–	(430)	(430)
Transfer:				
Stage 2 to stage 1	1	(1)	–	–
Foreign exchange and other movements	(5)	–	(7,269)	(7,274)
31 December 2020	<u>99,346</u>	<u>2</u>	<u>1,069,322</u>	<u>1,168,670</u>

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(ii) Credit loss allowance for financial assets held under resale agreements

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2021	41,902	576	1,043,291	1,085,769
Increases	5,034	–	164,631	169,665
Reversals	(33,483)	(576)	(579,538)	(613,597)
Write-offs	–	–	–	–
Transfer:				
Stage 1 to stage 3	(743)	–	743	–
Foreign exchange and other movements	(7)	–	–	(7)
	<u>12,703</u>	<u>–</u>	<u>629,127</u>	<u>641,830</u>
31 December 2021	<u>12,703</u>	<u>–</u>	<u>629,127</u>	<u>641,830</u>

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2020	27,466	5,075	64,338	96,879
Increases	35,304	554	989,478	1,025,336
Reversals	(19,966)	(416)	(16,033)	(36,415)
Write-offs	–	–	–	–
Transfer:				
Stage 1 to stage 2	(22)	22	–	–
Stage 1 to stage 3	(849)	–	849	–
Stage 2 to stage 3	–	(4,659)	4,659	–
Foreign exchange and other movements	(31)	–	–	(31)
	<u>41,902</u>	<u>576</u>	<u>1,043,291</u>	<u>1,085,769</u>
31 December 2020	<u>41,902</u>	<u>576</u>	<u>1,043,291</u>	<u>1,085,769</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(iii) Credit loss allowance for financial assets at fair value through other comprehensive income (debt instruments)

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2021	297,592	–	20,124	317,716
Increases	258,258	–	–	258,258
Reversals	(137,611)	–	–	(137,611)
Write-offs	(462)	–	(6,752)	(7,214)
Foreign exchange and other movements	(63)	–	–	(63)
31 December 2021	<u>417,714</u>	<u>–</u>	<u>13,372</u>	<u>431,086</u>

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2020	10,514	1,558	15,366	27,438
Increases	292,734	–	4,057	296,791
Reversals	(5,539)	(396)	(461)	(6,396)
Write-offs	–	–	–	–
Transfer:				
Stage 2 to stage 3	–	(1,162)	1,162	–
Foreign exchange and other movements	(117)	–	–	(117)
31 December 2020	<u>297,592</u>	<u>–</u>	<u>20,124</u>	<u>317,716</u>

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.2 Liquidity risk

Liquidity risks refer to the risks that the Group is unable to acquire sufficient funds in a timely manner at a reasonable cost, in response to repay due debts, fulfill other payment obligations and meet other funding needs during normal course of business.

The Group has established clear decision-making levels, authority delegation and risk control rules and procedures, and clearly defined the roles and responsibilities of the Board of Directors, executive management and business departments in liquidity risk management. The Asset and Liability Management Committee of the Executives Committee is responsible for organizing and managing the asset and liability allocation plan of the Group, reviewing and approving the internal valuation interest rate of capital and emergency plans for liquidity risk. The Group established the Treasury Operations Department to initiate the management of the liquidity of its proprietary funds, accounting for expanding mid- and long-term stable funding channels, reasonably adjusting the asset allocation among various business lines, and steadily optimizing its assets and liabilities structure. The Group implements liquidity risk limits management and conducts daily and monthly liquidity position analyses to manage liquidity movements. For effective management of market liquidity risk of its securities portfolios, the Group has implemented securities centralization management for securities investment and financing activities, and has adopted credit rating criteria for fixed-income securities investments. The Group has improved its daily practice for liquidity risk management and control mechanism with the assistance of liquidity reserve asset management system, refining internal funds transfer pricing (FTP) system, as well as establishing and optimizing liquidity emergency plans and stress tests. During 2021, the Group appropriately planned the scale of assets and liabilities, optimized its maturity structure of liabilities, and maintained sufficient liquidity reserve to ensure its regulatory liquidity coverage ratio and net stable funding ratio were being fully complied with, and its liquidity risk was closely monitored and controlled.

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The maturity profile of the financial liabilities as at the end of the reporting year, based on their contractual undiscounted payments, is as follows:

	31 December 2021					Total
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Accounts payable to brokerage clients	93,082,812	–	–	–	–	93,082,812
Derivative financial liabilities	4,263,723	25,515	6,088	–	–	4,295,326
Financial liabilities at fair value through profit or loss	–	77,454	2,270,557	5,454,392	–	7,802,403
Financial assets sold under repurchase agreements	–	97,193,025	2,497,310	–	–	99,690,335
Placements from banks and other financial institutions	–	8,553,649	–	–	–	8,553,649
Short-term borrowings	–	987,408	–	–	–	987,408
Short-term financing instruments payable	–	6,756,536	11,755,938	–	–	18,512,474
Bonds in issue	–	283,694	1,220,906	62,258,639	–	63,763,239
Lease liabilities	–	169,276	333,136	1,423,211	19,615	1,945,238
Others (i)	<u>25,677,287</u>	<u>15,549,250</u>	<u>29,917,864</u>	<u>4,657</u>	<u>596</u>	<u>71,149,654</u>
Total	<u>123,023,822</u>	<u>129,595,807</u>	<u>48,001,799</u>	<u>69,140,899</u>	<u>20,211</u>	<u>369,782,538</u>
Cash flows from derivative financial liabilities settled on a net basis	<u>4,263,723</u>	<u>24,520</u>	<u>7</u>	<u>–</u>	<u>–</u>	<u>4,288,250</u>
Gross-settled derivative financial liabilities	<u>–</u>	<u>995</u>	<u>6,081</u>	<u>–</u>	<u>–</u>	<u>7,076</u>
Contractual amounts receivable	–	–	–	–	–	–
Contractual amounts payable	–	995	6,081	–	–	7,076

- (i) Others mainly include bonds in issue with maturity within one year, and trading deposits for return swaps.

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The maturity profile of the financial liabilities as at the end of the reporting year, based on their contractual undiscounted payments, is as follows (Continued):

	31 December 2020					Total
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Accounts payable to brokerage clients	74,710,488	–	–	–	–	74,710,488
Derivative financial liabilities	2,420,159	3,598	813	50	–	2,424,620
Financial liabilities at fair value through profit or loss	–	5,140	342,326	1,248,263	–	1,595,729
Financial assets sold under repurchase agreements	–	78,784,575	5,852,698	–	–	84,637,273
Placements from banks and other financial institutions	–	9,063,700	–	–	–	9,063,700
Short-term borrowings	–	625,426	–	–	–	625,426
Short-term financing instruments payable	–	34,762,554	7,615,333	–	–	42,377,887
Bonds in issue	–	415,363	989,588	51,955,691	–	53,360,642
Lease liabilities	–	137,867	208,494	682,959	24,412	1,053,732
Others (i)	9,337,982	5,214,710	16,266,370	4,050	596	30,823,708
Total	86,468,629	129,012,933	31,275,622	53,891,013	25,008	300,673,205
Cash flows from derivative financial liabilities settled on a net basis	2,420,159	3,144	813	50	–	2,424,166
Gross-settled derivative financial liabilities	–	454	–	–	–	454
Contractual amounts receivable	–	–	–	–	–	–
Contractual amounts payable	–	454	–	–	–	454

- (i) Others mainly include bonds in issue with maturity within one year, and amounts due to other holders of consolidated structured entities at fair value.

Notes to the Consolidated Financial Statements (Continued)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The table below analyzes the Group's lease agreements, which were committed as at 31 December 2021 and 31 December 2020 but not commenced into the relevant maturity groupings based on their contractual maturities:

	31 December 2021				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Lease liabilities	39,804	73,785	209,869	91,147	414,605

	31 December 2020				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Lease liabilities	4,552	5,342	13,464	1,198	24,556

53.3 Market risk

Market risk represents risk of fluctuations in fair values or future cash flows of financial instruments due to movements in market prices. Market risks primarily include stock price risk, interest rate risk, foreign exchange rate risk, and other price risks.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

For market risks, the Group has established a sound risk management organizational structure and built risk management processes that enables end-to-end coverage of investment activities before, during and after making the investments, with risk limits applied to every investment. The Group annually reviews and approves risk limits for the Group as well as each and every proprietary business lines, including exposure limits, stop-loss limits, VaR limits, sensitivity index limit and stress testing limits, and charges the Risk Management Department to monitor and supervise their implementation and compliance. The Group has adopted daily mark-to-market practices, and implemented stop-loss procedures commensurate with its trading strategies. On a regular basis, the Group assesses the risk tolerance of its proprietary business lines, the effectiveness of its risks and the income level after risk adjustments, and includes the assessment results in the performance evaluation of these business lines. The Group makes on-going efforts to improve its proprietary business management system, including automated controls over relevant limit indicators.

In 2021, while the Group obtains reasonable investment returns, market risks are effectively controlled within the scope of various risk limit indicators.

(1) Value at risk (VaR)

The Group adopts VaR as a tool to measure the market risk of its entire securities investment portfolio comprising different types and varieties of financial instruments. VaR is a method that estimates the maximum possible loss on the portfolio due to movements in market interest rates or securities prices over a specified time period and within a given confidence level.

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

(1) Value at risk (VaR) (Continued)

The VaR of the Group's investment portfolio is calculated using the portfolio's historical data information. Although VaR analysis is a key instrument for measuring market risk, it has to rely on historical data and relevant information, and accordingly, it has certain inherent limitations so that it may not accurately predict the future changes of risk factors and in particular, cannot effectively reflect the risk under extreme market conditions. As a supplementary measure, the Group implements daily and specific stress tests to assess the impact on extreme adverse movements in risk indicators to the net capital of the Group and the profit and loss on proprietary portfolio and proposes emergency plans with relevant recommendations and measures accordingly.

Consistent with its internal risk management policy and comparable with peers, the Group's VaR was computed at a confidence level of 95% and with a holding period of 1 trading day. The Group's VaR analysis by risk categories is summarized as follows:

	31 December 2021	31 December 2020
Equity price-sensitive financial instruments	97,736	153,437
Interest rate-sensitive financial instruments	75,604	183,447

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

(2) Interest rate risk

Interest rate risk represents the risk of losses to the fair values or future cash flows of financial instruments due to adverse movements in market interest rates. The Group's interest rate risk primarily comes from the interest rate-sensitive financial instruments whose fair values are subject to changes due to adverse movements in market interest rates.

The Group primarily uses interest rate sensitivity analysis to monitor its interest rate risk. Sensitivity analysis measures the impact of fair value changes of financial instruments held at the year-end on the Group's total revenue and total equity when reasonable and possible changes occur to interest rates, assuming all other variables remain the same and market interest rates shift in a parallel manner and not considering any risk management actions that the management may take to reduce its interest rate risk.

Interest rate sensitivity analysis are as follows:

	31 December 2021	31 December 2020
Sensitivity to revenue		
Change in basis points		
+25 basis points	(605,412)	(502,806)
- 25 basis points	609,842	506,548

	31 December 2021	31 December 2020
Sensitivity to equity		
Change in basis points		
+25 basis points	(273,109)	(250,464)
- 25 basis points	275,879	252,889

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53 Market risk (Continued)

(3) Foreign currency rate risk

As at 31 December 2021, the foreign exchange exposure is approximately RMB6,177 million (31 December 2020: RMB1,533 million), and the increase was mainly due to the Group's increased investment of HKD2,000 million in China Securities (International) Finance Holding Co., Ltd. and the multi currency allocation of assets and liabilities of China Securities (International) Finance Holding Co., Ltd. The Group manages its foreign exchange rate risk by implementing integrated management of domestic and foreign Fixed-Income securities, Currencies and Commodities (FICC) and derivatives business, limiting the size of its foreign-currency-denominated assets and liabilities, synthetic positions of settlement and sale of foreign exchange and setting stop-loss limits for proprietary investments by its overseas subsidiaries. The majority of its income-generating business activities under the current structure are conducted in RMB, with only a small portion denominated in foreign currencies. Given the small portion of the foreign-currency-denominated businesses in both its assets and liabilities portfolio and income structure, the Group believes that its foreign exchange rate risk has an insignificant impact on its current operations.

(4) Other price risks

Other price risks refer to risks of fair value decline to the Group's investment portfolio due to fluctuations in market prices other than stock prices, interest rates, and foreign exchange rates, including primarily commodity prices. The Group's investment portfolio primarily comprises equity securities, fixed income businesses as well as their derivative instruments. Other market price-related businesses include gold trading and commodity derivatives trading where the Group primarily focuses on providing liquidity services and arbitrage trading with insignificant risk exposure. Accordingly, the Group believes that the other price risks do not have a significant impact on the Group's current operations.

Notes to the Consolidated Financial Statements (Continued)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.4 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for equity holders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revised 2016) (the "Administrative Measures") issued by the CSRC in 2016 and Calculation Standards for Risk Control Indicators of Securities Companies (CSRC Announcement [2020] No.10) (the "Calculation Standards") issued by the CSRC in 2020, respectively, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The risk coverage ratio shall be no less than 100%;
- The capital leverage ratio shall be no less than 8%;
- The liquidity coverage ratio shall be no less than 100%;
- The net stable funding ratio shall be no less than 100%;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Risk analysis and control (Continued)

53.4 Capital management (Continued)

Risk coverage ratio = net capital/sum of various risk capital provisions x 100%, Capital leverage ratio = core net capital/total asset on-/off-balance-sheet x 100%, Liquidity coverage ratio = high quality liquid assets/net cash outflow in 30 days x 100%, Net stable funding ratio = available amount of stable funding/required amount of stable funding x 100%.

Core net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Calculation Standards.

In March 2020, the Group received a Notice on the Matters about the Pilot of Consolidated Risk Control and Monitoring from CSRC (Notice of Department of Institutions (2020) No. 663), which allowed the Group to officially participate in the pilot of consolidated risk control and to implement differentiated calculation standards for risk control indicators.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

54 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	31 December 2021	31 December 2020
Non-current assets			
Property, plant and equipment		686,133	559,705
Right-of-use assets		1,615,935	772,405
Investment properties		49,146	56,133
Intangible assets		488,614	332,193
Investment in subsidiaries	20	9,267,283	6,528,123
Investment in associates		49,918	47,566
Financial assets at fair value through profit or loss		1,132,155	4,869,600
Financial assets at fair value through other comprehensive income		–	3,225,144
Financial assets held under resale agreements		9,906	1,348,317
Refundable deposits		5,635,200	4,558,229
Deferred tax assets		1,827,820	1,608,422
Other non-current assets		78,459	85,054
Total non-current assets		20,840,569	23,990,891
Current assets			
Margin accounts		57,669,167	46,293,953
Accounts receivable		22,575,105	7,955,142
Financial assets at fair value through profit or loss		143,148,517	116,226,883
Financial assets at fair value through other comprehensive income		45,182,442	42,784,820
Derivative financial assets		2,505,063	1,639,151
Financial assets held under resale agreements		18,942,844	14,467,809
Cash held on behalf of clients		76,612,157	62,345,724
Cash and bank balances		33,015,196	26,989,088
Other current assets		1,173,152	402,765
Total current assets		400,823,643	319,105,335
Total assets		421,664,212	343,096,226

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

54 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	Note	31 December 2021	31 December 2020
Current liabilities			
Accounts payable to brokerage clients		76,834,652	62,619,896
Lease liabilities		378,849	259,349
Derivative financial liabilities		4,294,036	2,451,096
Financial liabilities at fair value through profit or loss		2,345,498	347,466
Financial assets sold under repurchase agreements		98,157,721	82,131,345
Placements from banks and other financial institutions		8,528,656	9,035,700
Taxes payable		1,330,614	1,292,817
Short-term financing instruments payable		18,290,179	42,296,044
Other current liabilities		73,556,317	27,910,324
Total current liabilities		<u>283,716,522</u>	<u>228,344,037</u>
Net current assets		<u>117,107,121</u>	<u>90,761,298</u>
Total assets less current liabilities		<u>137,947,690</u>	<u>114,752,189</u>
Non-current liabilities			
Bonds in issue		53,648,810	46,745,928
Lease liabilities		1,213,580	490,645
Financial liabilities at fair value through profit or loss		5,454,392	1,248,263
Deferred tax liabilities		1,184,870	952,400
Other non-current liabilities		5,117	4,394
Total non-current liabilities		<u>61,506,769</u>	<u>49,441,630</u>
Net assets		<u><u>76,440,921</u></u>	<u><u>65,310,559</u></u>
Equity			
Share capital		7,756,695	7,756,695
Other equity instruments		14,937,500	9,961,509
Reserves		30,494,605	27,330,438
Retained earnings		23,252,121	20,261,917
Total equity		<u><u>76,440,921</u></u>	<u><u>65,310,559</u></u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

55 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Retained Earnings	Total
At 1 January 2021		7,756,695	9,961,509	12,428,414	4,284,302	10,324,359	293,363	20,261,917	65,310,559
Profit for the year		-	-	-	-	-	-	9,237,154	9,237,154
Other comprehensive income for the year		-	-	-	-	-	373,663	-	373,663
Total comprehensive income for the year		-	-	-	-	-	373,663	9,237,154	9,610,817
Capital injected by equity holders		-	-	-	-	-	-	-	-
- Capital injected by other equity instrument holders	45	-	4,975,991	-	-	-	-	-	4,975,991
Appropriation to surplus reserves	46	-	-	-	923,716	-	-	(923,716)	-
Appropriation to general reserves	46	-	-	-	-	1,866,788	-	(1,866,788)	-
Dividends - 2020	15	-	-	-	-	-	-	(2,908,761)	(2,908,761)
Distribution to other equity instrument holders	15	-	-	-	-	-	-	(547,685)	(547,685)
At 31 December 2021		7,756,695	14,937,500	12,428,414	5,208,018	12,191,147	667,026	23,252,121	76,440,921

The net profit of the Company for the year ended 31 December 2021 amounted to RMB9,237 million (2020: RMB8,676 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

55 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (Continued)

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Retained Earnings	Total
At 1 January 2020		7,646,385	9,980,698	8,690,960	3,416,707	8,530,041	221,199	16,415,272	54,901,262
Profit for the year		-	-	-	-	-	-	8,675,945	8,675,945
Other comprehensive income for the year		-	-	-	-	-	72,164	-	72,164
Total comprehensive income for the year		-	-	-	-	-	72,164	8,675,945	8,748,109
Capital injected by equity holders									
- Issuance of A shares	44	110,310	-	3,737,454	-	-	-	-	3,847,764
- Capital injected by other equity instrument holders	45	-	(19,189)	-	-	-	-	-	(19,189)
Appropriation to surplus reserves	46	-	-	-	867,595	-	-	(867,595)	-
Appropriation to general reserves	46	-	-	-	-	1,794,318	-	(1,794,318)	-
Dividends - 2019	15	-	-	-	-	-	-	(1,796,901)	(1,796,901)
Distribution to other equity instrument holders	15	-	-	-	-	-	-	(370,486)	(370,486)
At 31 December 2020		7,756,695	9,961,509	12,428,414	4,284,302	10,324,359	293,363	20,261,917	65,310,559

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(In RMB thousands, unless otherwise stated)

56 EVENTS AFTER THE REPORTING PERIOD

(1) Issuance of subordinated bond

In January 2022, the Company publicly issued a subordinated bond with a face value of RMB6 billion. The bond can be divided into two categories: (a) the “22 Xintou C1” has a face value of RMB4 billion, with a maturity of 2 years and a nominal rate of 2.90%. (b) the “22 Xintou C2” has a face value of RMB2 billion, with a maturity of 5 years and a nominal rate of 3.45%. The bond accrues interest at fixed rate per annum, pays interest annually and is not guaranteed.

In February 2022, the Company publicly issued a subordinated bond with a face value of RMB3 billion. The bond can be divided into two categories: (a) the “22 Xintou C3” has a face value of RMB1 billion, with a maturity of 3 years and a nominal rate of 3.08%. (b) the “22 Xintou C4” has a face value of RMB2 billion, with a maturity of 5 years and a nominal rate of 3.49%. The bond accrues interest at fixed rate per annum, pays interest annually and is not guaranteed.

(2) Issuance of perpetual subordinated bond

In March 2022, the Company publicly issued a perpetual subordinated bond with a face value of RMB4.5 billion. The bond is repriced every 5 interest-accruing years and at the end of the repricing cycle, the Company has the option to extend the bond for another repricing cycle (another five years) or redeem it in full. The bond accrues interest at floating rate with an initial fixed annual interest rate of 3.75% in the first 5 interest-accruing years and will be repriced every 5 years from the sixth year. The bond pays interest annually in case of the Company not exercising the option to defer the interest payment and is not guaranteed.

(3) Equity transfer of China Fund Management Co., Ltd

There was an equity transfer in China Fund Management Co., Ltd. in 2022. The Company acquired 25% equity of China Fund Management Co., Ltd., which was publicly transferred by Aerospace Science & Technology Finance Co., Ltd. In February 2022, the Company completed the registration and this transfer increased the Company’s proportion of voting rights to China Fund Management Co., Ltd. from 75% to 100%. China Fund Management Co., Ltd. became a wholly-owned subsidiary of CSC Financial Co., Ltd..

(4) Dividend

On 30 March 2022, the Board of directors proposes a cash dividend of RMB3.95 (tax inclusive) per 10 ordinary shares, amounting to RMB3,064 million (tax inclusive) in total based on 7,756,694,797 shares for the year ended 31 December 2021. The dividend distribution represents 32% of profit for the year 2021 attributable to ordinary equity holders of the Company in the consolidated financial statements. The remaining undistributed profit will be carried forward to the following years. Such proposal is subject to the approval by the ordinary equity holders in the Annual General Meeting.



中信建投証券股份有限公司
CSC FINANCIAL CO., LTD.