

2021 Annual Report

Important Notice

The Board of Directors, Supervisory Committee and the Directors, Supervisors and senior management of the Company confirm the truthfulness, accuracy and completeness of the contents of this annual report and there is no misrepresentation, misleading statement or material omission from this annual report, and they accept joint and several responsibilities for the truthfulness, accuracy and completeness of the contents herein. Mr. Lin Chuanhui (the Chairman), Ms. Sun Xiaoyan (the Chief Financial Officer) and Ms. Wang Ying (the head of the accounting department of the Company) hereby declare that they confirm the truthfulness, accuracy and completeness of the financial report contained in this annual report.

All Directors of the Company attended the board meeting in respect of considering and approving this annual report.

The 2021 annual financial report of the Company prepared in accordance with the International Financial Reporting Standards has been audited by Ernst & Young, who has issued a standard unqualified audit report. Unless otherwise indicated, the financial data stated in this report is denominated in RMB.

Forward-looking statements included in this annual report, including future plans, do not constitute a substantive commitment to investors by the Company. Investors and the parties concerned should maintain sufficient knowledge of the underlying risks and understand the differences among plans, projections and commitments.

The proposed profit distribution plan of the Company was considered and passed by the Board of Directors: based on the number of the shares as at the dividend distribution registration date, a cash bonus of RMB5.00 (tax inclusive) per 10 shares will be paid to all shareholders.

This annual report has been prepared by the Company in both Chinese and English languages. When there is any discrepancy in interpretation between the Chinese version and English version of this report, the Chinese version shall prevail.

WARNING ABOUT MATERIAL RISK FACTORS

The Company faces various risks in its operations, which mainly include policy risk that may cause adverse effects to the operations of securities companies as a result of macroeconomic adjustment and control measures promulgated by the State or changes in laws and regulations, regulatory systems and trading rules relevant to the securities industry; liquidity risk that may arise from the failure of the Company to obtain sufficient funds timely at reasonable cost to settle debts on due dates, perform other payment obligations and satisfy the capital requirements for ordinary business operations; market risk that may cause losses to be incurred by financial assets held by the Company due to adverse changes in market prices (such as prices of securities, interest rates, exchange rates or commodity prices) as a result of various factors; credit risk that may cause losses to be incurred by the Company as a result of the issuer or counterparty failing to perform their obligations as stipulated in the contracts or due to changes in the market value of debts arising from changes in credit ratings or contractual performance capabilities; compliance risk that may cause the imposition of sanctions by laws or punishment by regulatory authorities, material financial losses to be incurred or harm to reputation as a result of non-compliance with the relevant standards stipulated by laws and regulations, regulatory requirements, rules or relevant standards established by self-disciplinary bodies and the code of conduct applicable to the business activities conducted by securities companies as principals; operation risk that may cause direct or indirect losses to the Company as a result of deficiency or problems involving internal rules and processes, disoperation by staff members, system failure and external events; information technology risk that may cause adverse impact to the Company due to the defective design and unstable operation of the information system; and reputational risks that may arise from the Company's operating activities or the personal actions of its staff and cause negative comments on the Company by relevant institutions, the public, the media, etc., which may affect its brand value and be detrimental to the Company's operations and social stability.

In response to the risks mentioned above, the Company has established and maintained a comprehensive internal control system, compliance and a comprehensive risk management system to ensure that the Company operates healthily within an extent of controllable, predictable and tolerable risks. Investors are advised to read the "Management Discussion and Analysis" as set out in Section 5 of this report carefully and to pay particular attention to the above risk factors.

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DEFINITIONS

Term	Definition
Reporting Period	Year 2021 (January 1, 2021 to December 31, 2021)
The Company, Company, parent company, GF Securities	GF Securities Co., Ltd.
The Group, Group	the Company and its subsidiaries which fall within the scope of the consolidated financial statements
Jilin Aodong	Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司)
Liaoning Cheng Da	Liaoning Cheng Da Co., Ltd. (遼寧成大股份有限公司)
Zhongshan Public Utilities	Zhongshan Public Utilities Group Co., Ltd. (中山公用事業集團股份有限公司)
HKSCC Nominees	HKSCC Nominees Limited
GF Fund	GF Fund Management Co., Ltd. (廣發基金管理有限公司)
GFHK	GF Holdings (Hong Kong) Corporation Limited (廣發控股(香港)有限公司)
GF Securities (Hong Kong)	GF Securities (Hong Kong) Brokerage Limited (廣發証券(香港)經紀有限公司)
GF Asset Management (Hong Kong)	GF Asset Management (Hong Kong) Limited (廣發資產管理(香港)有限公司)
GF Investments (Hong Kong)	GF Investments (Hong Kong) Company Limited (廣發投資(香港)有限公司)
GF Capital (Hong Kong)	GF Capital (Hong Kong) Limited (廣發融資(香港)有限公司)
GF Global Capital	GF Global Capital Limited (廣發全球資本有限公司)
GF Futures	GF Futures Co., Ltd. (廣發期貨有限公司)
GF Futures (Hong Kong)	GF Futures (Hong Kong) Co., Limited (廣發期貨(香港)有限公司)
GF Xinde	GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司)
GF Qianhe	GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司)



DEFINITIONS

GF Asset Management	GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理(廣東)有限公司)
GFFL	Guangfa Financial Leasing (Guangdong) Co., Ltd. (廣發融資租賃(廣東)有限公司)
Guangdong Equity Exchange	Guangdong Equity Exchange Co., Ltd. (廣東股權交易中心股份有限公司)
E Fund	E Fund Management Co., Ltd. (易方達基金管理有限公司)
ECT	E-Capital Transfer Co., Ltd. (證通股份有限公司)
CSF	China Securities Finance Corporation Limited (中國證券金融股份有限公司)
The PRC	Mainland China
CSRC	the China Securities Regulatory Commission
CIRC	the former China Insurance Regulatory Commission
Guangdong Bureau of the CSRC	Guangdong Bureau of the China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
SZSE	the Shenzhen Stock Exchange
BSE	the Beijing Stock Exchange
SZSE Listing Rules	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
Company Law	Company Law of the PRC (中華人民共和國公司法)
Securities Law	Securities Law of the PRC (中華人民共和國證券法)
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)



DEFINITIONS

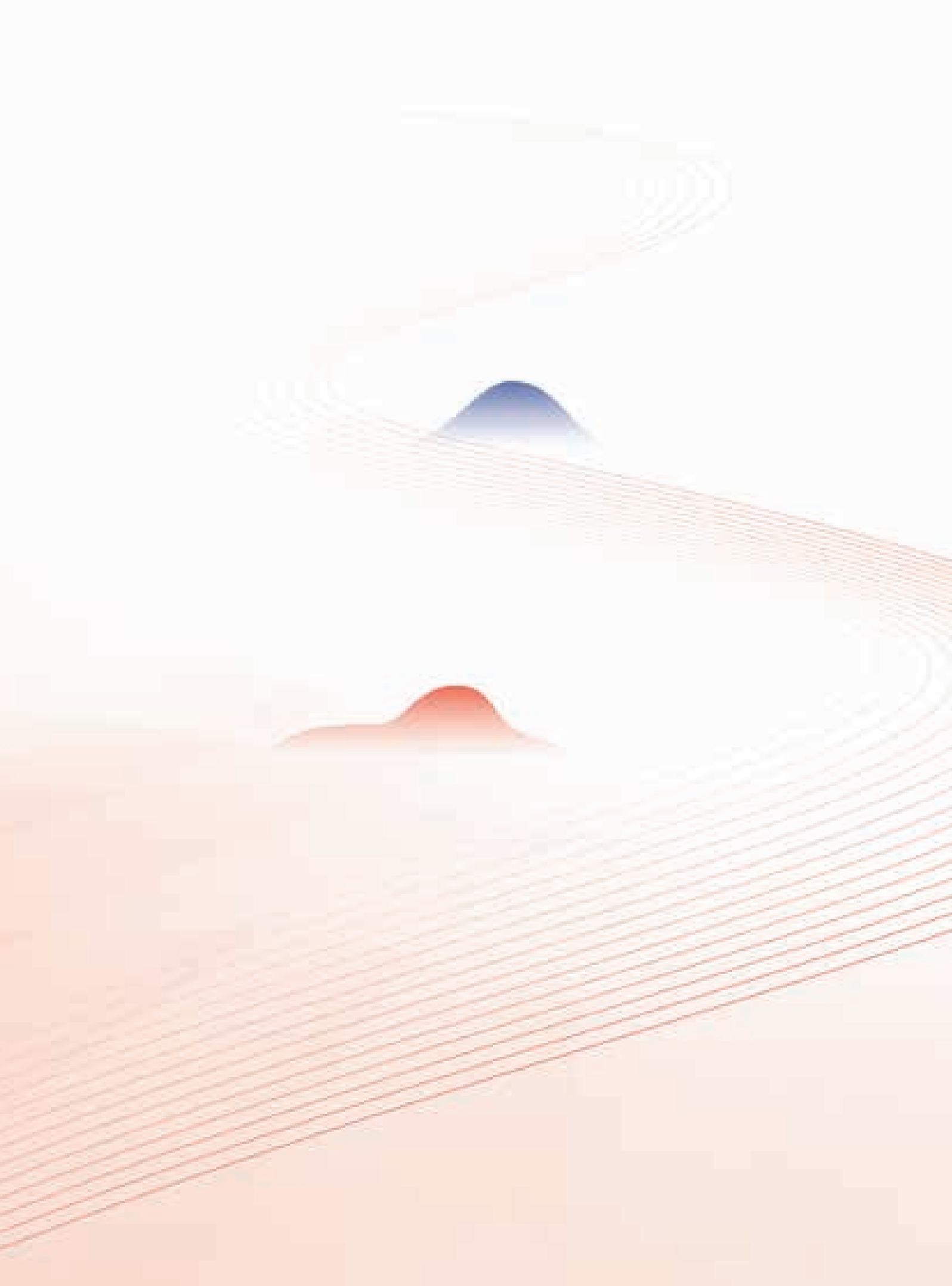
Margin financing and securities lending	the operating activities engaged by the Company in which loans are provided to customers for purchasing listed securities (margin financing) or listed securities are borrowed by customers for sale (securities lending) with collaterals provided by customers
Stock Index Futures	a financial futures contract using stock price index as the subject matter, that is, a standard form of contract to be entered into by both parties which stipulates the performance of a transaction on stock price index at an agreed price on a specific date in future, and in which the stock price index of a stock market is the subject matter of the transaction
Stock Pledged Repo Transaction	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge
Security Transactions with Repurchase Agreement	a transaction in which a qualified customer sells the subject securities at an agreed price to the securities company which is the custodian of such securities, and agrees to purchase the subject securities from the securities company at another agreed price on a future date, and the securities company will return the relevant yields generated by the subject securities during the period pending for repurchase to the customer pursuant to the agreement signed with the customer
NEEQ	National Equities Exchange and Quotations (全國中小企業股份轉讓系統), also known as new third board (新三板)
QDII	Qualified Domestic Institutional Investors
QFII	Qualified Foreign Institutional Investors
RQFII	RMB Qualified Foreign Institutional Investors
ETF	Exchange Traded Funds, an open index fund available for trading, commonly known as Exchange Traded Fund, which is an open fund listed for trading on a stock exchange with variable portions of the fund components
FICC	Fixed Income, Currencies & Commodities



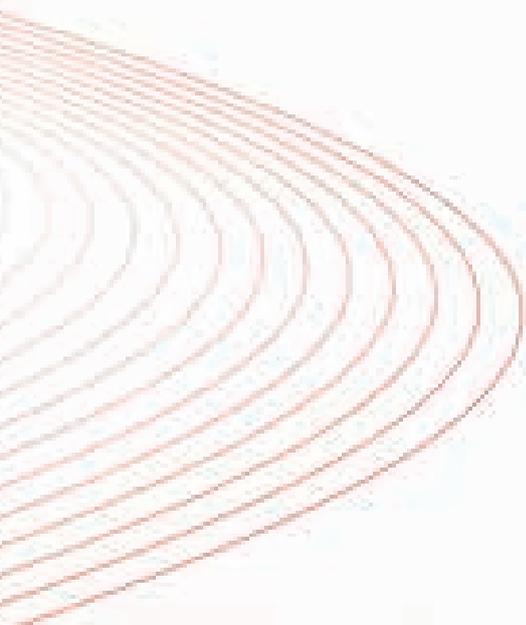
DEFINITIONS

ISDA Agreements	the standard agreement text and ancillary documents for international OTC derivatives transactions provided by International Swaps and Derivatives Association
GMRA Agreements	Global Master Repurchase Agreement
MSCI index	an index published by Morgan Stanley Capital International
VaR	Value at Risk
A Share(s)	domestic shares of the Company with a nominal value of RMB1.00 each, which are listed on the SZSE and traded in Renminbi
H Share(s)	foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
CPA, auditor, Ernst & Young	Ernst & Young Hua Ming LLP and Ernst & Young, accounting firms appointed by the Company
WIND	Wind Information Co., Ltd, a financial terminal which provides the customers with financial data and analytic tools

In this 2021 annual report, some total figures may be slightly deviated in the last digit from the sum of direct aggregation of all amounts. Such discrepancy is due to the rounding up calculation of decimal places.



| SECTION 1
COMPANY PROFILE



I. COMPANY INFORMATION

Stock Name	廣發證券	Stock Code	000776 (SZSE); 1776 (Hong Kong Stock Exchange)
Listing venues of the Shares	SZSE and Hong Kong Stock Exchange		
Name in Chinese	廣發證券股份有限公司		
Short Name in Chinese	廣發證券		
Name in English	GF Securities Co., Ltd.		
Short Name in English	GF SECURITIES		
Legal Representative of the Company	Lin Chuanhui		
General Manager of the Company	Lin Chuanhui		
Registered Address	Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong		
Postal Code of the Registered Address	510555		
Historical Changes of the Company's Registered Address	On February 9, 2010, "Yan Bian Road" was renamed as "GF Securities" and its registered address was changed to 43rd Floor (Room 4301-4316), Metro Plaza, No. 183-187, Tianhe North Road, Tianhe District, Guangzhou. On May 15, 2017, the registered address of the Company was changed to Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong.		
Principal Business Address	GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong		
Postal Code of the Business Address	510627		
Place of Business in Hong Kong	29-30/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong		
Company Website	www.gf.com.cn		
Company E-mail	gfzq@gf.com.cn		
Tel	020-66338888		
Customer Service Hotline	95575		
Registered Capital of the Company	RMB7,621,087,664		
Net Capital of the Company	RMB66,166,929,489.73		

II. CONTACT PERSONS AND CONTACT INFORMATION

Secretary of the Board/Securities Affairs Representative

Name	Xu Youjun
Address	59th Floor, GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong
Tel	020-87550265/87550565
Fax	020-87554163
E-mail	xuyj@gf.com.cn



III. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Website of the A-share stock exchange where the Company discloses its annual report	www.szse.cn
Website of the H-share stock exchange where the Company discloses its annual report	www.hkexnews.hk
Media name and website address where the Company discloses its annual report	China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily and www.cninfo.com.cn
Place where the annual report of the Company is available for inspection	51st Floor, GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou, Guangdong

IV. CHANGES IN REGISTRATION INFORMATION

Organization Code	No change during the Reporting Period
Changes in the Principal Business of the Company since the Listing of the Company (if any)	No change during the Reporting Period
Changes in Controlling Shareholders (if any)	Not applicable

V. QUALIFICATIONS OF INDIVIDUAL BUSINESSES

No.	Type of License	Approval Authority	Issue Date
1	Permit for Operations of Securities Business	CSRC	November 1998
2	Qualification for entry into the national inter-bank market (conducting interbank lending, sales and trading of bonds, spot bonds transactions and bond repurchase businesses)	PBOC	September 1999
3	Membership of the national interbank lending market	China Foreign Exchange Trading System & National Interbank Funding Center	November 1999
4	Qualification for online entrusted securities trading business	CSRC	February 2001
5	Qualification for entrusted investment management business	CSRC	May 2002
6	Qualification for open-end securities investment fund distribution business	CSRC	August 2002
7	Pilot securities firm to carry on relevant innovative activities	Securities Association of China	December 2004

No.	Type of License	Approval Authority	Issue Date
8	Qualification as an eligible clearing participant for purchasing warrants (Qualification for warrants clearing business of China Securities Depository and Clearing Corporation Limited)	China Securities Depository and Clearing Corporation Limited	August 2005
9	Short-term financing bill underwriting business	PBOC	September 2005
10	Qualification for quotation transfer business	Securities Association of China	January 2006
11	Clearing participant of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited	March 2006
12	Membership of SSE	SSE	April 2007
13	Membership of SZSE	SZSE	April 2007
14	Qualification of level one dealer on the SSE Integrated Electronic Platform for Fixed Income Securities	SSE	July 2007
15	Class A clearing participant of China Securities Depository and Clearing Corporation Limited	China Securities Depository and Clearing Corporation Limited	August 2007
16	Qualification for providing intermediary services for futures companies	CSRC	May 2008
17	Qualification of qualified investor of block trade system	SSE	June 2008
18	Qualification for margin financing and securities lending	CSRC	March 2010
19	License for operating foreign exchange business	State Administration of Foreign Exchange	August 2011
20	Qualified Domestic Institutional Investor (QDII) qualification for overseas securities investment management business	Guangdong Bureau of the CSRC	November 2011
21	Qualification for bond-pledged repo business authorization	SSE	November 2011
22	Alternative investment business (conducted through GF Qianhe)	Guangdong Bureau of the CSRC	January 2012
23	Qualification for provision of marketing unit for insurance institutional investors	CIRC	January 2012
24	Pilot business to underwrite SME private bonds	Securities Association of China	June 2012
25	Qualification for the participation in proprietary business of securities firms in the interest rate swap investment and transaction	Guangdong Bureau of the CSRC	July 2012



No.	Type of License	Approval Authority	Issue Date
26	Qualification for the first batch of pilot work for refinancing business of China Securities Finance Corporation Limited	CSF	August 2012
27	Trading permission for Security Transactions with Repurchase Agreement	SSE	September 2012
28	Qualification for entrusted management insurance fund	CIRC	October 2012
29	Qualification for main underwriting business of debt financing instruments for non-financial businesses	National Association of Financial Market Institutional Investors	November 2012
30	Qualification for OTC trading business	Securities Association of China	December 2012
31	Qualification for the swap transaction business of equity income	Securities Association of China	January 2013
32	Trading authorization for Security Transactions with Repurchase Agreement	SZSE	January 2013
33	Qualification for stock index futures business of China Financial Futures Exchange	China Financial Futures Exchange	January 2013
34	Authorization for lending transaction of refinancing securities	SSE	February 2013
35	Business qualification as a lead brokerage (sponsorship business and brokerage business)	National Equities Exchange and Quotations Co., Ltd.	March 2013
36	Member of Guangzhou Financial Association	Guangzhou Financial Association	March 2013
37	Qualification of the sales agent for financial products	Guangdong Bureau of the CSRC	May 2013
38	Membership certificate of the Asset Management Association of China	Asset Management Association of China	May 2013
39	Authorization for Stock Pledged Repo Transaction	SSE	June 2013
40	Authorization for Stock Pledged Repo Transaction	SZSE	June 2013
41	Qualification for consultancy services relating to the secrets of the military industry	The Office of Science, Technology and Industry for National Defense of Guangdong Province	June 2013
42	Membership of Zhejiang Equity Exchange	Securities Association of China	August 2013
43	Qualification for proprietary business of Shanghai Futures Exchange	Shanghai Futures Exchange	September 2013

No.	Type of License	Approval Authority	Issue Date
44	Qualification for ETF liquidity service provider business (Bosera S&P 500ETF, E Fund SSE & SZSE 300ETF, HuaAn SSE 180ETF, HuaAn SSE Gold ETF)	SSE	September 2013
45	License for part-time insurance agency	CIRC Guangdong Bureau	November 2013
46	Securities fund consumption payment services for clients	CSRC	December 2013
47	Qualification for the pilot work of comprehensive custody business of private equity	CSRC	January 2014
48	Qualification for pledged repo business authorization	SZSE	April 2014
49	Qualification for pilot work of receipt certificates	Securities Association of China	May 2014
50	Qualification for custody business of securities investment funds	CSRC	May 2014
51	Qualification for pilot work of Internet securities business	Securities Association of China	September 2014
52	Qualification on the Dalian Equity Exchange	Securities Association of China	June 2014
53	Qualification for the mutual swap and central clearing of Renminbi interest rates	Shanghai Clearing House	June 2014
54	Qualification on the Gansu Equity Exchange Center	Securities Association of China	July 2014
55	Qualification for market-making business on the National Equities Exchange and Quotations	National Equities Exchange and Quotations Co., Ltd.	July 2014
56	Qualification for the swap transaction business of OTC equity income	Securities Association of China	July 2014
57	Qualification for Hong Kong Stock Connect business authorization	SSE	October 2014
58	Qualification for agency services business for gold and other precious metal spot contracts and proprietary trading for spot gold contract	CSRC	January 2015
59	Qualification for stock option market-making business	CSRC	January 2015
60	Qualification for options settlement business	China Securities Depository and Clearing Corporation Limited	January 2015
61	Qualification as a stock options trading participant	SSE	January 2015



No.	Type of License	Approval Authority	Issue Date
62	Qualification for the SSE 50ETF options market-making business	SSE	January 2015
63	Qualifications for financing-oriented option exercise business and restricted securities lending business with respect to share incentive schemes of listed companies	SZSE	January 2015
64	Membership certificate of the Shanghai Gold Exchange	Shanghai Gold Exchange	April 2015
65	Member of China Futures Association (ordinary member)	China Futures Association	May 2015
66	Opening accounts through one-way video	China Securities Depository and Clearing Corporation Limited	June 2015
67	Filing Certificate of Private Equity Outsourcing Institutions	Asset Management Association of China	June 2015
68	Qualification as a market maker in the national interbank bond market	PBOC	January 2016
69	Council entity of the National Internet Finance Association of China	National Internet Finance Association of China	August 2016
70	Interbank Market operations clearing membership	Shanghai Clearing House	September 2016
71	Qualification for Hong Kong Stock Connect business authorization under Shenzhen-Hong Kong Stock Connect	SZSE	November 2016
72	Membership of foreign currency funding in interbank funding market	China Foreign Exchange Trading System	March 2017
73	“Bond Connect” quotation bureau qualification	National Interbank Funding Center	July 2017
74	Qualification to issue credit-linked notes	National Association of Financial Market Institutional Investors	August 2017
75	Qualification to issue credit risk mitigation certificates	National Association of Financial Market Institutional Investors	August 2017
76	Core dealer of credit risk mitigation instruments	National Association of Financial Market Institutional Investors	August 2017
77	Qualification for interbank gold inquiry business	Shanghai Gold Exchange	December 2017
78	Pilot cross-border business	CSRC	April 2018
79	Qualification for regular clearing membership for central clearing businesses of credit default swaps	Shanghai Clearing House	June 2018

No.	Type of License	Approval Authority	Issue Date
80	Qualification for sale and purchase of foreign exchange	CSRC	July 2018
81	Qualification as a primary dealer for Over-the-counter options business	Securities Association of China	August 2018
82	Qualification for credit derivative business	CSRC	December 2018
83	Qualification as a dealer for commodity swap business	Dalian Commodity Exchange	December 2018
84	Qualification of core dealer of credit protection contract	SSE	February 2019
85	Qualification for business as lead market maker of listed funds	SSE	February 2019
86	Qualification for membership of the China Banking Association	China Banking Association	September 2019
87	Authorization for opening stock options business	SZSE	December 2019
88	Qualification for primary market maker of CSI 300ETF Options business (SSE)	SSE	December 2019
89	Qualification for primary market maker of CSI 300ETF Options business (SZSE)	SZSE	December 2019
90	Qualification for creating credit protection certificate	SSE	December 2019
91	Qualification for participating in securities refinancing business on ChiNext	CSF	August 2020
92	Qualification for accessing into the China's commercial paper trading system	Shanghai Commercial Paper Exchange Corporation Ltd.	August 2020
93	First batch of forward quoters for The Agricultural Development Bank of China standard bonds	National Interbank Funding Center	October 2020

The qualifications of individual business that the Company has obtained in 2021 include:

1	Qualification for market-oriented agreed application of securities refinancing business on the STAR Market	CSF	July 2021
2	Membership of BSE	BSE	November 2021
3	Qualification for pilot work of virtual position QFII model	SZSE	December 2021
4	SSE E-interactive Platform Information Reprinting License	Shanghai Stock Exchange Information Network Co., Ltd.	December 2021



Membership and qualifications of individual business that the controlling subsidiaries of the Company have obtained include:

No.	Type of License	Approval Authority	Issue Date
Membership and business qualifications obtained by GF Fund and its subsidiaries			
1	Permit for Operations of Securities and Futures Business	CSRC	July 2003
2	Client-specific asset management	CSRC	February 2008
3	Qualified Domestic Institutional Investor (QDII)	CSRC	January 2009
4	Entrusted Domestic Investment Manager of National Social Security Fund	National Council for Social Security	December 2010
5	Type 4: advising on securities	SFC	September 2011
6	Type 9: asset management	SFC	September 2011
7	RMB Qualified Foreign Institutional Investor (RQFII) (1)	CSRC	August 2012
8	Entrusted investment managers of insurance funds	CIRC	October 2012
9	Permit for Operations of Securities and Futures Business (Client-specific asset management)	CSRC	June 2013
10	Entrusted asset management investment managers of Insurance Security Fund	China Insurance Security Fund Co., Ltd.	August 2013
11	Qualified Foreign Institutional Investors (QFII)	CSRC	September 2013
12	Financial Services Commission of South Korea-investment consulting business license (Foreign Investment Adviser)	Financial Services Commission of South Korea	November 2013
13	Type 1: dealing in securities	SFC	March 2014
14	Investment advisory (US Investment Adviser)	U.S. Securities and Exchange Commission (SEC)	May 2014
15	Basic pension insurance fund securities investment management agency	National Council for Social Security	December 2016
16	Hong Kong Shares Investment Advisory Institution	Asset Management Association of China	October 2018
17	Fund investment advisory business	CSRC	June 2021

No.	Type of License	Approval Authority	Issue Date
Membership and business qualifications obtained by GF Futures and its subsidiaries			
1	Qualification for commodity futures brokerage business	CSRC	March 1993
2	Exempted Membership	National Futures Association (NFA)	November 1993
3	Membership	Intercontinental Exchange, Inc.	March 2005
4	Type 2: dealing in futures contracts	SFC	February 2007
5	Futures Exchange Participant	Hong Kong Futures Exchange Limited (Hong Kong)	May 2007
6	HKCC Participant	HKFE Clearing Corporation Limited (Hong Kong)	May 2007
7	Qualification for financial futures brokerage business	CSRC	August 2007
8	Membership	China Financial Futures Exchange	February 2008
9	Membership	Shanghai Futures Exchange	June 2008
10	Membership	ICE Clear Europe	September 2008
11	Membership	Dalian Commodity Exchange	December 2008
12	Membership	Zhengzhou Commodity Exchange	March 2009
13	Membership	Metal Material Circulation Association of Guangdong Province	July 2011
14	Qualification for futures investment consulting business	CSRC	August 2011
15	Trading membership	Singapore Exchange Derivatives Trading Limited	August 2011
16	Membership	Gold Association of Guangdong Province	January 2012
17	Qualification for asset management business	CSRC	November 2012
18	Pilot business filed for record: warehouse financing services and basis trading business	China Futures Association	March 2013
19	Membership	Sugar Association of London	June 2013
20	Category 1, ring dealing membership	London Metal Exchange	January 2014
21	Trading membership	Dubai Gold & Commodities Exchange	January 2014
22	Non-trading membership	London Stock Exchange	February 2014
23	Qualification for fund sales business	Guangdong Bureau of the CSRC	February 2015



No.	Type of License	Approval Authority	Issue Date
24	Pilot business filed for record: OTC derivatives business	China Futures Association	April 2015
25	Membership	China Futures Association	May 2015
26	Associate membership	Insurance Asset Management Association of China	December 2015
27	Qualification for RMB Qualified Foreign Institutional Investor (RQFII)	CSRC	April 2016
28	Asset management license	Financial Conduct Authority (FCA) of the UK	October 2016
29	Membership	Shanghai International Energy Exchange	May 2017
30	Pilot business filed for record: market-making business	China Futures Association	October 2017
31	Membership	Guangzhou Headquarters Economy Association	February 2018
32	Membership	Asset Management Association of China	July 2018
33	Membership	Shanghai Futures Association	August 2018
34	Participant of stock option trading on the Shanghai Stock Exchange	SSE	December 2018
35	Qualification for options clearing business	China Securities Depository and Clearing Corporation Limited	December 2018
36	Membership	China Rubber Industry Association	May 2019
37	Trading participant of the Shenzhen Stock Exchange	SZSE	January 2020
38	Hazardous chemical products business permit	Emergency Management Bureau of Pudong New Area, Shanghai	August 2020
39	Non-drug precursor chemicals business record certificate	Emergency Management Bureau of Pudong New Area, Shanghai	September 2020

No.	Type of License	Approval Authority	Issue Date
Membership and business qualifications obtained by GFHK and its subsidiaries			
1	Type 1: dealing in securities	SFC	January 2007
2	Type 6: advising on corporate finance	SFC	January 2007
3	Stock Exchange Participant	Hong Kong Stock Exchange	February 2007
4	Type 4: advising on securities	SFC	November 2007
5	Type 9: asset management	SFC	November 2007
6	Business license for securities investment	CSRC	December 2011
7	RMB Qualified Foreign Institutional Investor (RQFII) Qualification	CSRC	December 2011
8	Approval for RMB Qualified Foreign Institutional Investor (RQFII) investment quota Qualification	State Administration of Foreign Exchange (PRC)	January 2012
9	Account opening license	PBOC Shenzhen Central Sub-branch (PRC)	February 2012
10	Qualified Foreign Institutional Investor Qualification	CSRC	January 2015
11	Approval for QFII investment quota and related account opening	State Administration of Foreign Exchange (PRC)	March 2015
12	Options Trading Exchange Participant	Hong Kong Stock Exchange	November 2015
13	Direct Clearing Participant	The SEHK Options Clearing House Limited	November 2015
14	System account	Beijing Financial Assets Exchange	October 2020
15	Membership	National Association of Financial Market Institutional Investors	October 2020
16	Business license for insurance brokerage: (general & long term (including Linked Long Term Insurance))	Hong Kong Insurance Authority	June 2021
17	SPAC Exchange Participants	Hong Kong Stock Exchange	March 2022



No.	Type of License	Approval Authority	Issue Date
Membership and business qualifications obtained by GF Asset Management			
1	Qualified Domestic Institutional Investor (QDII) qualification for overseas securities investment management business	CSRC	December 2013
2	Permit for Operations of Securities Business (securities asset management)	CSRC	March 2014
3	Member of National Association of Financial Market Institutional Investors	National Association of Financial Market Institutional Investors	July 2015
4	Investment Manager Qualification for Management of Entrusted Investment of Insurance Funds	CIRC	March 2016

Membership and business qualifications obtained by GF Qianhe

1	Membership	Securities Association of China	May 2017
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Membership and business qualifications obtained by GFFL

1	Membership	Guangdong Financial Leasing Association	April 2016
2	Membership	Guangzhou Financial Leasing Industry Alliance	April 2016
3	Membership	Guangzhou Industrial Robot Manufacturing and Application Industry Alliance	September 2018
4	Membership	Guangzhou Nansha Financial Industry Association	November 2018
5	Membership	Global Leasing Union and United Leasing Research and Development Center	December 2018

Membership and business qualifications obtained by GF Xinde

1	Membership	Securities Association of China	April 2017
2	Membership	Asset Management Association of China	March 2018

VI. COMPANY HISTORY AND DEVELOPMENT

With the approval of the PBOC, Guangdong Development Bank (廣東發展銀行) (currently known as China Guangfa Bank Co., Ltd.) established a securities department on April 9, 1991. On May 21, 1993, the Guangdong Administration for Industry and Commerce approved the due establishment of the Securities Department of Guangdong Development Bank (廣東發展銀行證券業務部). On January 25, 1994, the Company was converted into Guangdong Guangfa Securities Company (廣東廣發證券公司) whose capital was contributed by Guangdong Development Bank with its own funds.

On December 26, 1996, the Company was converted into a limited liability company and its name was changed to Guangfa Securities Limited Liability Company (廣發證券有限責任公司). On August 26, 1999, the Company was spun off from Guangdong Development Bank as required by the sectoral regulations applicable to the financial industries under the PRC laws. On July 25, 2001, the Company was converted into a joint stock company and its name was changed to GF Securities Co., Ltd. (廣發證券股份有限公司) (the “Original Guangfa”).

On February 12, 2010, the Company became listed on the SZSE by completing a reverse takeover of Yan Bian Road Construction Co., Ltd. (延邊公路建設股份有限公司) (“Yan Bian Road”), a company listed on the SZSE with the stock code of 000776 (the “Reverse Takeover”). The key steps of the Reverse Takeover were as follows:

The repurchase by Yan Bian Road of 84,977,833 shares from one of its then shareholders, Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司);

The issuance of 2,409,638,554 shares by Yan Bian Road to shareholders of the Original Guangfa in exchange for all the then existing shares of the Original Guangfa;

As a result of the Reverse Takeover, the Original Guangfa transferred all of its assets and employees to Yan Bian Road and was deregistered on February 10, 2010.

As part of the Reverse Takeover, the name of Yan Bian Road was changed to “GF Securities Co., Ltd.”.



MAJOR INCREASES IN SHARE CAPITAL

Upon its establishment on May 21, 1993, the Company's registered capital was RMB10,000,000.

On January 25, 1994, the Company increased its registered capital to RMB150,000,000.

On November 1, 1995, the Company increased its registered capital to RMB200,000,000.

On December 26, 1996, the Company increased its registered capital to RMB800,000,000.

On December 14, 1999, the Company increased its registered capital to RMB1,600,000,000.

On July 25, 2001, the Company was converted into a joint stock company with registered share capital of RMB2,000,000,000.

On February 10, 2010, as a result of the Reverse Takeover, the Company's share capital increased to RMB2,507,045,732.

On August 17, 2011, the Company issued 452,600,000 A Shares to 10 investors by way of private placement. As a result, the Company's share capital increased to RMB2,959,645,732.

On September 17, 2012, the Company increased its share capital to RMB5,919,291,464 through the capitalization of our capital reserves on the basis of 10 shares for every 10 shares.

On April 10, 2015, the Company was listed for trading on the Main Board of the Hong Kong Stock Exchange. Upon full exercise of the over-allotment options, the Company issued a total of 1,701,796,200 H Shares and increased its share capital to RMB7,621,087,664.

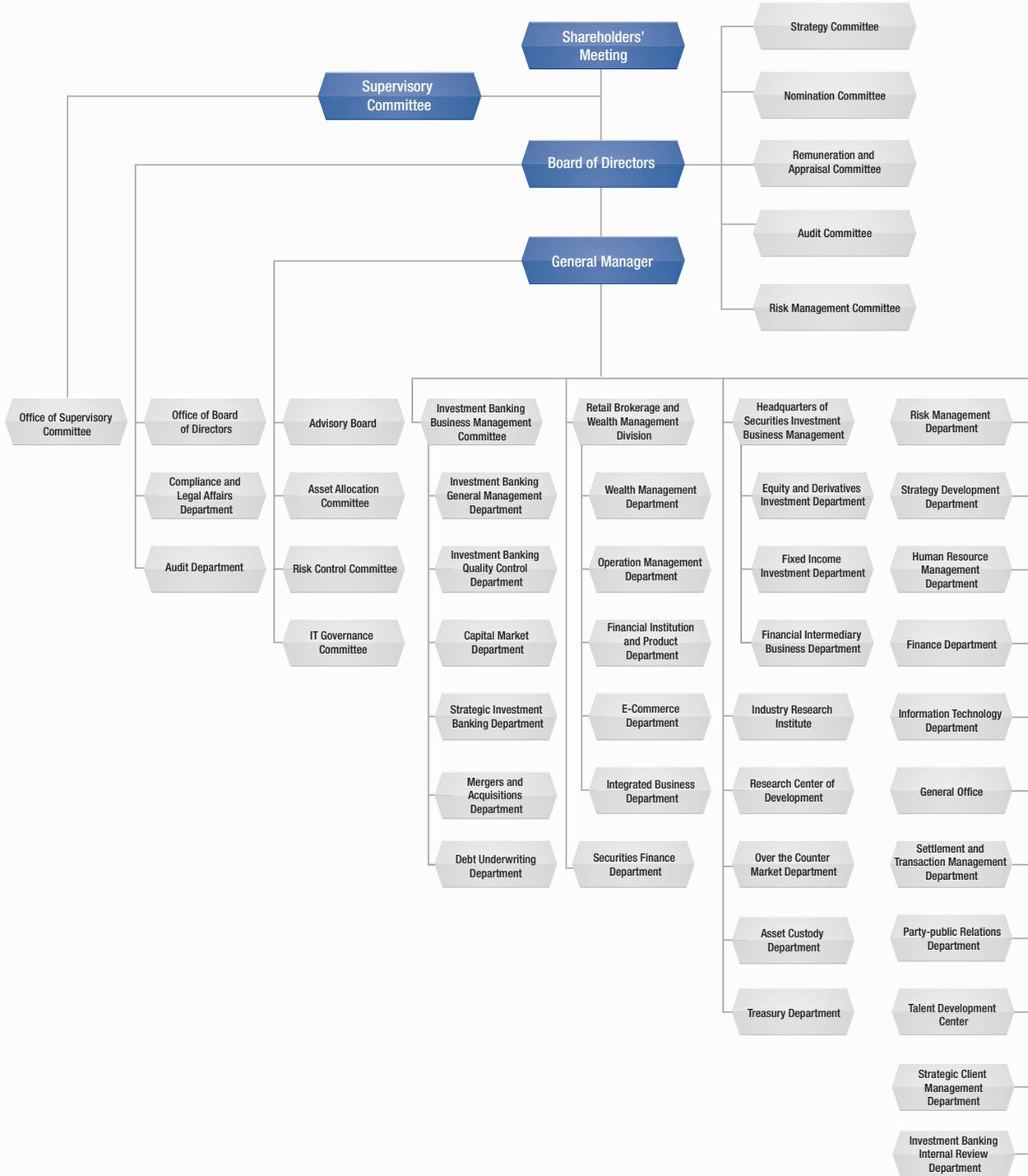
VII. STRUCTURE OF THE COMPANY

1. Organization Structure of the Company





2. Organization Structure of the Company (As of the date of this report)



3. Domestic and Overseas Principal Subsidiaries

Names of Branch Companies	Registered Address	Date of Establishment	Responsible Person	Contact No.
GF Securities Co., Ltd. Shenzhen Branch	Units 2213, 2501, 2514, 2515, 2516, Shum Yip Center Building, 5045 Shennan East Road, Xinwei Community, Guiyuan Street, Luohu District, Shenzhen	July 2009	Wu Yudong	0755-82083898
GF Securities Co., Ltd. Shanghai Branch	Unit 06A, 36th Floor (nominal floor, actually 33/F), 429 Nanquan North Road, Pudong New Area, Shanghai, China	July 2009	Wang Xindong	021-68818808
GF Securities Co., Ltd. Hebei Branch	Rooms 610, 611, 612, 613 and 615, 6th Floor, Block A, Yuyuan Plaza, 9 Yuhua West Road, Qiaoxi District, Shijiazhuang	July 2009	Zhu Shuaiqi	0311-85278887
GF Securities Co., Ltd. Shandong Branch	West Wing of the 10th Floor and rooms 905 and 908 of the 9th Floor, 3 Luoyuan Street, Lixia District, Jinan	July 2009	Zhuang Wei	0531-86993666
GF Securities Co., Ltd. Hubei Branch	Rooms 6, 7 and 8, 34th Floor, Office Tower of Huijin Plaza, 1268 Jingnan Avenue, Jiangnan District, Wuhan	July 2009	Peng Tao	027-82800767
GF Securities Co., Ltd. Guangzhou Branch	No. 201, Room 201, 101 Tianhe Road, Tianhe District, Guangzhou	July 2009	Chen Liming	020-83863518
GF Securities Co., Ltd. Jiangsu Branch	272 Jiqingmen Avenue, Gulou District, Nanjing	August 2009	Liu Zhengyi	025-86899227
GF Securities Co., Ltd. Chengdu Branch	Room 1901, Level 19, Building 3, No. 1199, North Section of Tianfu Avenue, Chengdu High-tech Zone, China (Sichuan) Pilot Free Trade Zone	August 2009	Liu Jiezhou	028-85972529
GF Securities Co., Ltd. Zhejiang Branch	Rooms 3704 and 3705, Building 3, Qianjiang International Times Plaza, 290 Fuchun Road, Jiangnan District, Hangzhou, Zhejiang Province	August 2009	Chen Xiaoyu	0571-86566651
GF Securities Co., Ltd. Xi'an Branch	Rooms 1202, 1204 and 1205, COLI Building, 3 Furong South Road, Qujiang New District, Xi'an, Shaanxi Province	August 2009	He Xiaoshe	029-65655877
GF Securities Co., Ltd. Beijing Branch	Level 18, Yuetan Building, 2 Yuetan North Street, Xicheng District, Beijing	August 2009	You Haiyang	010-59136868
GF Securities Co., Ltd. Zhuhai Branch	Room 302, Hengqin Smart Finance Industrial Park, West Side of Building 17, Hengqin Creative Valley, 1889 Huandao East Road, Hengqin New District, Zhuhai	February 2011	Liao Weifeng	0756-8286229



Names of Branch Companies	Registered Address	Date of Establishment	Responsible Person	Contact No.
GF Securities Co., Ltd. Foshan Branch	Flat A, B, C, J and K, actually 18/F (nominally 20/F), Block 2, Youbang Financial Center, No. 1, Denghu East Road, Guicheng Street, Nanhai District, Foshan, Guangdong Province	May 2011	Zheng Zhixiong	0757-83789698
GF Securities Co., Ltd. Changchun Branch	Rooms 503 and 505, 5th Floor, Shengrong Building, 438 Jiefang Road, Nanguan District, Changchun City	August 2011	Li Chao	0431-88634077
GF Securities Co., Ltd. Fujian Branch	Unit 05, Level 34, Yuyang Zhongyang Jinzuo Office Building, 118 Shuguang Road, Taijiang District, Fuzhou, Fujian Province	April 2012	Zhuo Wen	0591-83055872
GF Securities Co., Ltd. Yuedong Branch	9 Yingbin Road, Shantou	June 2014	Zhang Haiou	0754-88280098
GF Securities Co., Ltd. Yuexi Branch	Second of 201, 45 Tianchang Road, Pengjiang District, Jiangmen, Guangdong Province	June 2014	Liu Guangchen	0750-3488001
GF Securities Co., Ltd. Dongguan Branch	Room 508, Building 1, The Innovation and Technology Park, Songshan Lake Hi-tech Industrial Development Zone, Dongguan	June 2014	Kang Shaohua	0769-28331886
GF Securities Co., Ltd. Hainan Branch	Area A, Level 3, Lantian Building, 19 Heping Avenue, Meilan District, Haikou, Hainan Province	September 2015	Li Junhua	0898-66288660
GF Securities Co., Ltd. Liaoning Branch	17th Floor, 227 Qingnian Street, Shenhe District, Shenyang, Liaoning Province	November 2019	Wen Yinghui	0411-84355166
GF Securities Co., Ltd. Guangxi Branch	Offices 1, 2 and 5, the east side of the 2nd floor, Xinda Building, 19 Fengxiang Road, Qingxiu District, Nanning	December 2000	Xiang Yingying	0771-5313688
GF Securities Co., Ltd. Shanxi Branch	Rooms 1205-1208, 12th Floor, Block A, Building 3, Shanxi International Finance Center, 426 South Zhonghuan Street, Taiyuan Xuefu Park, Shanxi Comprehensive Reform Demonstration Zone	October 2001	Li Jiaying	0351-4940300
GF Securities Co., Ltd. Anhui Branch	15th Floor, Renhe Building, Changjiang Middle Road, Hefei, Anhui Province	February 2007	Ran Xiang	0551-62636568
GF Securities Co., Ltd. Hunan Branch	Room 301, Hexie Xiaoxiang Building, 158 Wuyi Avenue, Furong District, Changsha, Hunan Province	July 2008	Qiao Ying	0731-85287218
GF Securities Co., Ltd. Jiangxi Branch	1st and 2nd Floors, 132 Beijing West Road, Xihu District, Nanchang, Jiangxi Province	September 2008	Li Lin	0791-86303229

Note: During the Reporting Period, according to the needs of business development, the Company changed five business departments into branches: Nanning Fengxiang Road Business Department was changed to Guangxi Branch, Hefei Changjiang Middle Road Business Department was changed to Anhui Branch, Changsha Wuyi Road Business Department was changed to Hunan Branch, Taiyuan South Zhonghuan Street Business Department was changed to Shanxi Branch, and Nanchang Beijing West Road Business Department was changed to Jiangxi Branch.

4. Domestic and Overseas Wholly-owned and Non-wholly-owned Subsidiaries

(1) Domestic Principal Wholly-owned and Non-wholly-owned Subsidiaries

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Fund	Room 2608, 3018 Huandao East Road, Hengqin New District, Zhuhai, Guangdong Province	2003.08	RMB14,097.80	54.53	Sun Shuming	020-83936666
GF Futures	Flat 1002, 12 Junxian Street, Huangpu District, Guangzhou, Guangdong Province	1993.03	RMB190,000	100	Luo Mansheng	020-88838016
GF Xinde	Room B607, Building 1, 275 Xintuo Road, Daxie Development Zone, Ningbo, Zhejiang Province	2008.12	RMB280,000	100	Xiao Xuesheng	020-66338790
GF Qianhe	Room 206, 3 Xingfu West Street, Beifang Town, Huairou District, Beijing	2012.05	RMB610,350	100	Ao Xiaomin	010-83948182
GF Asset Management	Room 105-285, 6 Baohua Road, Hengqin New District, Zhuhai	2014.01	RMB100,000	100	Qin Li	020-66338701
GFFL	Room 612, 36 Jintao West Street, Nansha District, Guangzhou	2015.06	RMB80,000	100	Zhang Wei	020-66335038
E Fund	Level 6, 188 Rongyue Road, Hengqin New District, Zhuhai, Guangdong Province	2001.04	RMB13,244.20	22.65	Liu Xiaoyan	020-38797888
Guangdong Equity Exchange	Zhibian Room 898, 333 Jiufu Jianshe Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong Province	2018.07	RMB31,098.31	12.02	Wang Wensheng	020-82116876
China Securities Credit Investment Co., Ltd.	513 Hedge Fund Center, Fund Town, 128 Guiwan 5th Road, Nanshan Subdistrict, Qianhai SZ-HK Cooperation Zone, Shenzhen	2015.05	RMB458,598	4.36	Niu Guanxing	0755-84362888
China Securities Internet System Co., Ltd.	8-10/F, Building 4, Financial Street, Xicheng District, Beijing	2013.02	RMB755,024.45	2.65	An Qingsong	010-83897816
ECT	Building 1, 27 Xinjinqiao Road, China (Shanghai) Pilot Free Trade Zone	2015.01	RMB251,875	1.99	Wang Guanrong	021-20538888

Note: In November 2021, 31.6875% equity interest in GFFL held by GF Investments (Hong Kong) was transferred to and held directly by the Company. The Company directly held 100% equity interest in GFFL.



GF Fund established Ruiyuan Capital Asset Management Co., Ltd.

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
Ruiyuan Capital Asset Management Co., Ltd.	Office 1222-E, 88 Qinlang Road, Hengqin New District, Zhuhai, Guangdong Province	2013.06	RMB7,500	100	Duan Xijun	020-89188990

GF Futures established GF COMMODITIES CO., LTD.

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF COMMODITIES CO., LTD.	Room A-805, 188 Yesheng Road, Lin-Gang Special Area, China (Shanghai) Pilot Free Trade Zone	2013.04	RMB40,000	100	Luo Mansheng	020-88838016

(2) Overseas Principal Wholly-owned Subsidiaries

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GFHK	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.06	HK\$560,000	100	Xiong Liting	(852)37191111

GFHK has the following principal wholly-owned subsidiaries: GF Securities (Hong Kong), GF Capital (Hong Kong), GF Asset Management (Hong Kong), GF Global Capital, GF Investments (Hong Kong), GF Lighthouse Capital Management Company Limited, GF Information Consulting Service (Shenzhen) Company Limited, GF Investment Management (Hong Kong) Company Limited, GF Wealth Management (Hong Kong) Limited, GF Canada Holdings Company Limited, GF Securities (Canada) Company Limited and GF Asset Management (Canada) Company Limited.

Name of Subsidiary	Registered Address	Date of Establishment	Registered Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Securities (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.07	HK\$280,000	100	Wang Yue	(852)37191111
GF Capital (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.07	HK\$13,000	100	Yan Ming	(852)37191111
GF Asset Management (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2006.07	HK\$32,500	100	Li Xin	(852)37191111
GF Global Capital	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2015.11	HK\$160,000	100	Zeng Chao	(852)37191111
GF Investments (Hong Kong)	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2011.09	HK\$500	100	Mai Xiaoying	(852)37191111
GF Lighthouse Capital Management Company Limited	Ritter House, Wickhams Cay II, P.O. Box 3170, Road Town VG1110, Tortola, British Virgin Islands	2014.09	US\$0.01	100	Sha Jianyuan	(852)37191111
GF Information Consulting Service (Shenzhen) Company Limited	Room 201, Building A, 1 Qianwan 1st Road, Shenzhen-Hong Kong Cooperation Zone, Qianhai, Shenzhen	2014.04	RMB1,000	100	Wang Yue	0755-88263107
GF Investment Management (Hong Kong) Company Limited	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2011.10	HK\$380	100	Sha Jianyuan	(852)37191111
GF Wealth Management (Hong Kong) Limited	29th and 30th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong	2014.11	HK\$2,500	100	Wang Yue	(852)37191111
GF Canada Holdings Company Limited	Suite 2270 – 1055 West Georgia Street, Vancouver BC V6E 3P3 Canada	2018.02	CAD 456.03	100	Wen Huiqing	(778)2975888
GF Securities (Canada) Company Limited	Suite 2270 – 1055 West Georgia Street, Vancouver BC V6E 3P3 Canada	2014.03	CAD 1,640	100	Liao Zhanhua	(778)2975888
GF Asset Management (Canada) Company Limited	Suite 2270 – 1055 West Georgia Street, Vancouver BC V6E 3P3 Canada	2018.02	CAD 300	100	Liao Zhanhua	(778)2975888

The Company has related transactions with GFHK and its overseas subsidiaries, which will be strictly carried out and regulated under the Measures for the Administration of the Formation, Acquisition and Purchase of Non-Controlling Shares of Overseas Business Institutions by Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法》).



GF Fund established GF International Investment Management Limited.

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF International Investment Management Limited	Suite 3503-3505, 35th Floor, Two International Finance Center, 8 Finance Street, Central, Hong Kong	2010.12	HK\$50,000	100	Shangguan Peng	(852)36952868

GF Futures established GF Futures (Hong Kong) which in turn established GF Financial Markets (UK) Limited.

Name of Subsidiary	Registered Address	Date of Establishment	Paid-in Capital (ten thousand)	Shareholding Ratio (%)	Responsible Person	Contact No.
GF Futures (Hong Kong)	Units 08, 28th Floor, The Center, 99 Queen's Road Central, Hong Kong	2006.05	HK\$102,100	100	Liu Boya	(852)38937799
GF Financial Markets (UK) Limited	1 Finsbury Square, London, EC2A 1AE, United Kingdom	1976.02	GBP 5,596.9014	100	Shi Shaohui	(44)2073301688

5. Numbers and Distribution of Securities Brokerage Branches

As of December 31, 2021, the Company had established 284 securities brokerage branches. The numbers and distribution of securities brokerage branches are set out below:

Province/ Municipality or Region	Number of Brokerage Branches	Province/ Municipality or Region	Number of Brokerage Branches	Province/ Municipality or Region	Number of Brokerage Branches
Guangdong Province (of which: Shenzhen)	124	Shandong Province	7	Tianjin	2
Shanghai	22	Shaanxi Province	7	Heilongjiang Province	2
Hubei Province	16	Henan Province	4	Guizhou Province	1
Liaoning Province	14	Yunnan Province	3	Ningxia	1
Hebei Province	15	Hainan Province	4	Gansu Province	1
Zhejiang Province	10	Chongqing	4	Inner Mongolia	2
Jiangsu Province	12	Jilin Province	3	Qinghai Province	1
Fujian Province	10	Sichuan Province	4	Anhui Province	1
Beijing	9	Guangxi Province	1	Xinjiang	1
		Jiangxi Province	2	Tibet	1

VIII. OTHER RELEVANT INFORMATION

(1) Auditors engaged by the Company

PRC Auditor	Ernst & Young Hua Ming LLP
Office Address of PRC Auditor	Level 16, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Ave. Dongcheng District, Beijing, PRC
Name of Signing Auditor	Chang Hua, He Yanyi
Name of International Auditor	Ernst & Young (<i>Certified Public Accountants and Registered Public Interest Entity Auditors</i>)
Office Address of International Auditor	27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

(2) Legal Advisors

PRC Legal Advisor	Jia Yuan Law Offices, Beijing
Overseas Legal Advisor	Latham & Watkins LLP

(3) Share Registrars

A Share Registrar	China Securities Depository and Clearing Corporation Limited, Shenzhen Branch 22-28/F, Shenzhen Stock Exchange Building, 2012 Shennan Blvd, Futian District, Shenzhen, Guangdong, PRC
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong



- (4) The sponsor engaged by the Company to perform the continuous supervision obligation during the Reporting Period

Not applicable

- (5) The financial advisor engaged by the Company to perform the continuous supervision obligation during the Reporting Period

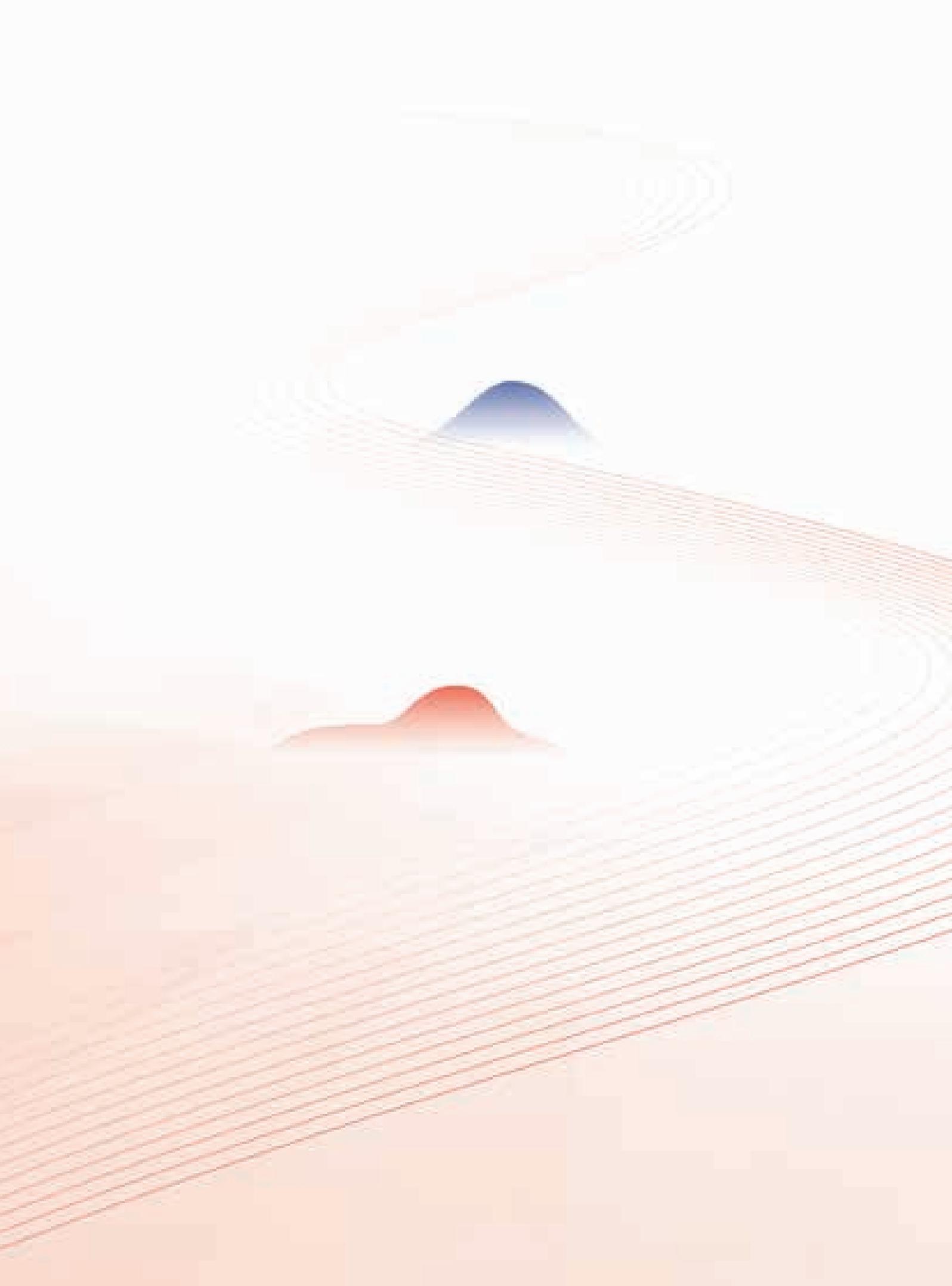
Not applicable

- (6) According to the Regulatory Requirements for Classification of Securities Companies issued by the CSRC, the Class Ratings of the Company in the latest three years are as follows:

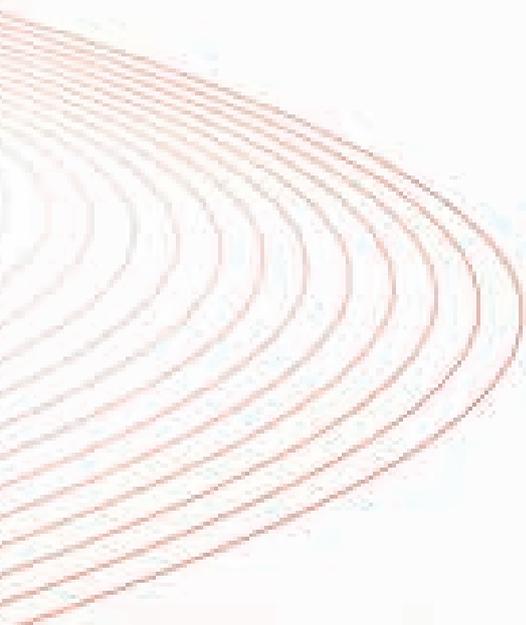
The Company was rated as Class B Grade BBB Securities Company in 2019;

The Company was rated as Class B Grade BBB Securities Company in 2020;

The Company was rated as Class A Grade AA Securities Company in 2021.



SECTION 2
KEY
ACCOUNTING DATA
AND FINANCIAL
INDICATORS



KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

I. KEY ACCOUNTING DATA (CONSOLIDATED STATEMENTS)

(Accounting data and financial indicators set out in this report have been prepared in accordance with the International Financial Reporting Standards)

Unit: RMB in millions

	2021	2020	Variance in comparison with last year	2019
Total revenue and other income	41,915	35,983	16.48%	30,077
Profit before income tax	14,964	13,599	10.03%	10,276
Net profit attributable to owners of the Company	10,854	10,038	8.13%	7,539
Net cash (used in)/from operating activities	(50,836)	(2,085)	–	20,095
Basic earnings per share (RMB/share)	1.42	1.32	7.58%	0.99
Return on weighted average net assets (%)	10.67	10.60	increase of 0.07 percentage point	8.48

	December 31, 2021	December 31, 2020	Variance in comparison with the end of last year	December 31, 2019
Total assets	535,855	457,464	17.14%	394,391
Total liabilities	425,054	355,190	19.67%	300,254
Equity attributable to owners of the Company	106,625	98,162	8.62%	91,234
Total share capital	7,621	7,621	–	7,621
Equity per share attributable to owners of the Company (RMB/share)	13.99	12.88	8.62%	11.97
Gearing ratio (%)	72.92	71.15	increase of 1.77 percentage points	70.09

Notes: 1. Gearing ratio = (Total liabilities-Accounts payable to brokerage clients)/(Total assets-Accounts payable to brokerage clients)

2. In calculating equity per share attributable to owners of the Company as indicated in the table above, the perpetual subordinated bonds issued by the Company was included. After excluding such impact, equity per share attributable to ordinary shareholders of the Company as at the end of the Reporting Period was RMB13.86.



II. ACCOUNTING DATA DIFFERENCE UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

The net profits in the years of 2021 and 2020 and the net assets as of December 31, 2021 and December 31, 2020 as stated in the consolidated financial statements of the Company disclosed in accordance with International Financial Reporting Standards (IFRS) are consistent with those in accordance with China's Accounting Standards (CAS).

III. NET CAPITAL OF THE COMPANY AND THE RELEVANT RISK CONTROL INDICATORS

Unit: RMB

Item	At the end of 2021	At the end of 2020	Variance in comparison with the end of last year
Core net capital	61,666,929,489.73	58,997,184,278.76	4.53%
Supplementary net capital	4,500,000,000.00	5,900,000,000.00	-23.73%
Net capital	66,166,929,489.73	64,897,184,278.76	1.96%
Net assets	91,874,588,306.90	85,503,525,631.22	7.45%
Total risk capital reserves	33,466,481,546.48	32,838,996,825.21	1.91%
Total on-and off-balance sheet assets	389,168,701,675.84	328,701,972,736.40	18.40%
Risk coverage ratio	197.71%	197.62%	increase of 0.09 percentage point
Capital leverage ratio	16.03%	18.24%	decrease of 2.21 percentage points
Liquidity coverage ratio	238.90%	206.96%	increase of 31.94 percentage points
Net stable funding ratio	163.37%	179.15%	decrease of 15.78 percentage points
Net capital/Net assets	72.02%	75.90%	decrease of 3.88 percentage points
Net capital/Liabilities	23.88%	27.79%	decrease of 3.91 percentage points
Net assets/Liabilities	33.16%	36.61%	decrease of 3.45 percentage points
Proprietary equity securities and securities derivatives/Net capital	49.57%	35.33%	increase of 14.24 percentage points
Proprietary non-equity securities and securities derivatives/Net capital	290.54%	243.89%	increase of 46.65 percentage points

Note: The above relevant data were based on the Administrative Measures for Risk Control Indicators of Securities Companies issued by the CSRC and China's Accounting Standards for Business Enterprises, and expressed on a non-consolidated basis.

KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

At the end of 2021, the parent company had net capital of RMB66,167 million and total risk capital reserves of RMB33,466 million. Risk coverage ratio, net capital/net assets ratio and net capital/liabilities ratio were 197.71%, 72.02% and 23.88%, above the regulatory requirements of 100%, 20% and 8%. Each risk control indicator of the Company is in compliance with the relevant requirements under the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》).

IV. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS IN THE LAST FIVE YEARS

1. Earnings (Unit: RMB' 000)

	2021	2020	2019	2018	2017
Total revenue and other income	41,914,753	35,983,218	30,076,891	22,816,996	28,614,334
Total expenses	28,378,705	23,247,144	20,265,060	17,435,709	17,431,273
Profit before income tax	14,963,846	13,599,297	10,276,222	6,004,338	11,644,026
Net profit attributable to owners of the Company	10,854,116	10,038,135	7,538,921	4,300,126	8,595,399

2. Assets (Unit: RMB' 000)

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total assets	535,855,324	457,463,686	394,391,064	389,105,946	356,904,639
Total liabilities	425,053,981	355,190,100	300,254,468	300,476,772	268,279,057
Equity attributable to owners of the Company	106,624,510	98,162,197	91,233,985	85,018,016	84,854,203
Share capital	7,621,088	7,621,088	7,621,088	7,621,088	7,621,088

3. Key financial indicators

	2021	2020	2019	2018	2017
Basic/diluted earnings per share (RMB/share)	1.42	1.32	0.99	0.56	1.13
Return on weighted average net assets (%)	10.67	10.60	8.48	5.07	10.55
Gearing ratio (%)	72.92	71.15	70.09	73.20	69.64
Equity per share attributable to owners of the Company (RMB/share)	13.99	12.88	11.97	11.16	11.13

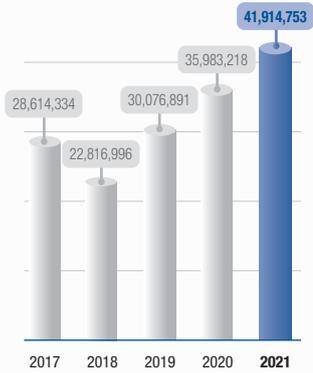
Notes: 1. Gearing ratio = (Total liabilities-Accounts payable to brokerage clients)/(Total assets-Accounts payable to brokerage clients)

2. In calculating equity per share attributable to owners of the Company as indicated in the table above, the perpetual subordinated bonds issued by the Company were included. After excluding such impact, equity per share attributable to ordinary shareholders of the Company as at the end of the Reporting Period was RMB13.86.



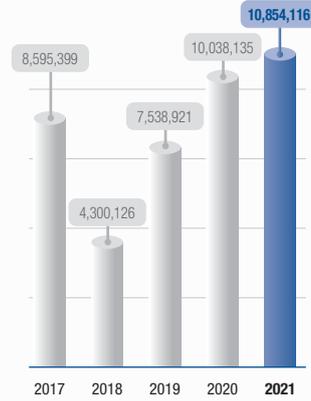
Total revenue and other income

(Unit: RMB'000)



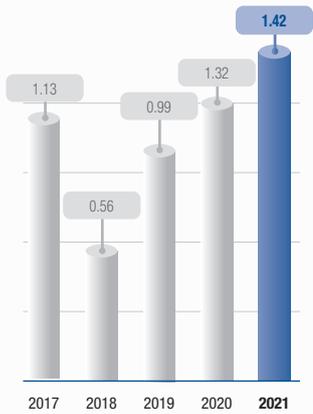
Net profit attributable to owners of the Company

(Unit: RMB'000)

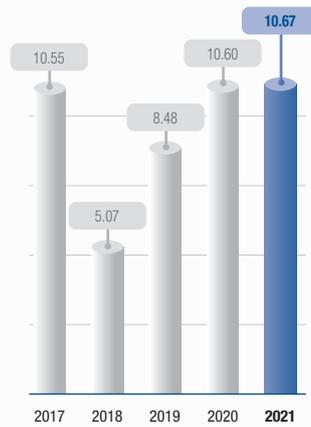


Basic earnings per share

(RMB/share)

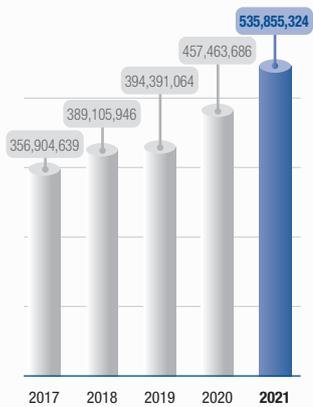


Return on weighted average net assets (%)



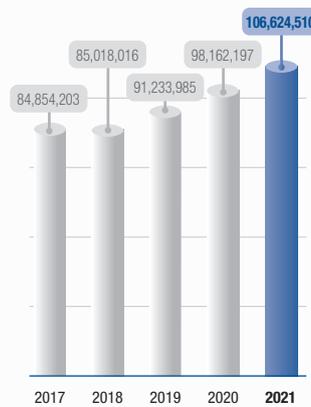
Total assets

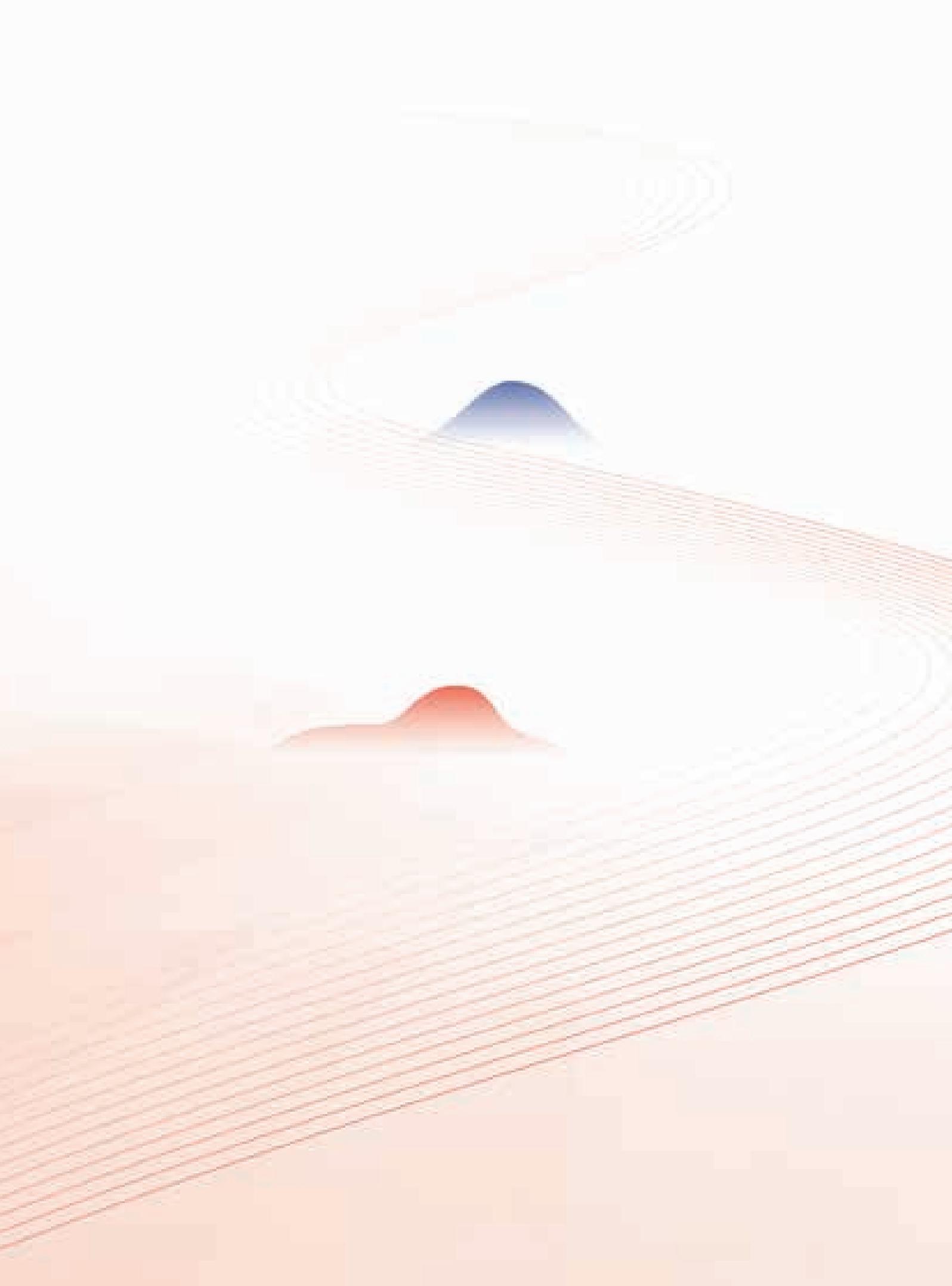
(Unit: RMB'000)



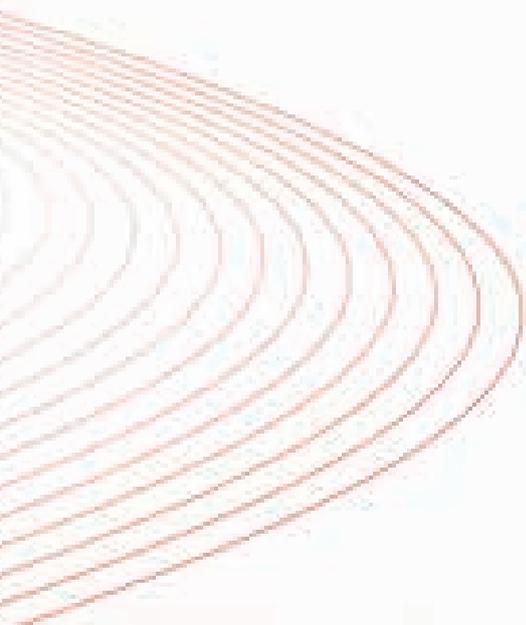
Equity attributable to owners of the Company

(Unit: RMB'000)





SECTION 3
CHAIRMAN'S
STATEMENT



As China kick off its “14th Five-Year Plan” in the year of 2021, its overall economy remained on its recovery path despite being hit hard by the once-in-a-century pandemic coupled with the external complex environment as an outcome of the upheaval. Having achieving a GDP as high as RMB114.4 trillion, representing a year-on-year growth of 8.1%, China remains as a leading growing economy worldwide. Under a consistent strategic focus of the country, China adheres to reform and innovation as its fundamental driving force, and shows its proactive approach to expedite the adjustment on its economic structure to propel the transformation of its economic development model from quantitative growth to high-quality development.

In 2021, focusing on the general objective of “building a regulated, transparent, open, dynamic and resilient capital market”, regulatory authorities have issued a series of policy measures, for instance, establishing BSE, improving the supporting mechanism for the Registration System Reform, optimising the quality of listed companies, launching regulatory framework guidelines for derivatives, promoting the capacity expansion of fund investment advisory pilots, and carrying out pilot account management function optimizations. These efforts have not only deepened the reform and opening up of the capital market, but also steadily raised the proportion of direct financing, with the focus being on advancing the capacity of governing the capital market and propelling the shaping of a new development landscape and a high-quality development of capital market services.

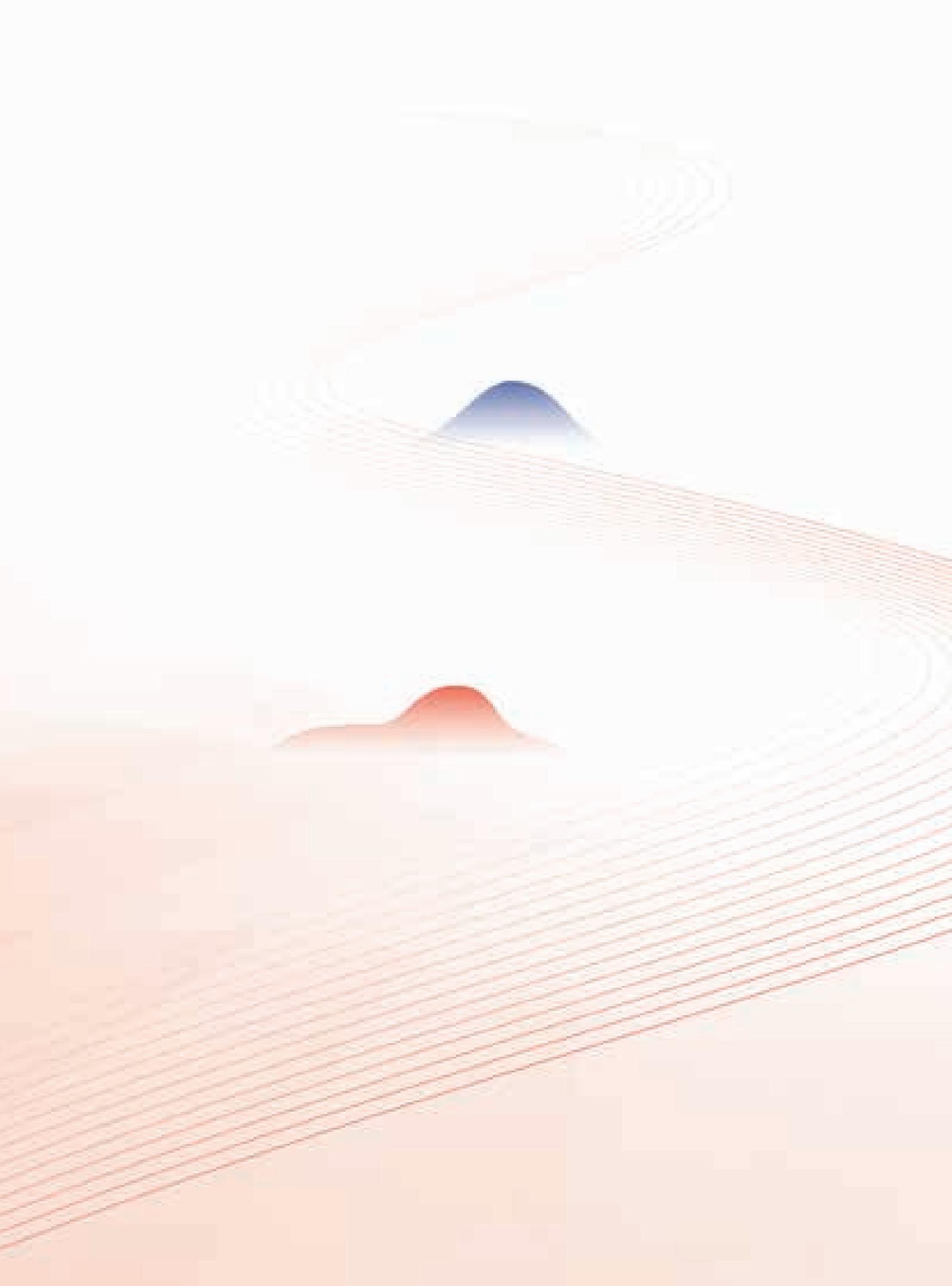
In 2021, the Company has ridden on opportunities of the capital market reform, and acted upon its operating objective of “reforming proactively with a focus on building core competitiveness and promoting high-quality enterprise development” to firmly press ahead with a number of initiatives. First of all, we have witnessed ourselves going back to Grade AA in the class rating along with the commencement of operations of all of our businesses during 2021. Secondly, we have continued to promote the transformation into the “customer-centric” operation model with all of our business lines actively following the philosophy of putting the needs of customer first when performing their duties. Thirdly, we have continuously reinforced our platform construction. We have even explored a research-driven operation model, promoted the mutual empowerment among the departments of the Group, expanded the Company’s capabilities, adjusted our compensation incentive mechanism, and further stimulated the vitality of the organization. Fourthly, we have made improvements to overcome our business shortcomings, improved our profitability, actively promoted the establishment of our investment banking team, altogether contributing to the rapid and promising growth of our OTC derivatives business. Fifthly, with the optimization of our business structure, we have not only improved our development quality, but also further created a series of new competitive advantages: we have seen new progress in wealth management transformation, for instance, the Company ranked third in the industry in terms of net income from the agency sales of financial products and the scale of non-monetary funds held at the end of the year in 2021; our asset management business also continued to be at the forefront of the industry, with the total asset under management across the Group maintaining its rapid growth; our research business also maintained its leading position in the industry, and once again won prestige industry awards including the “Best Domestic Research Team (本土最佳研究團隊)” by New Fortune, the “Best Research Institution (最佳研究機構)” by Crystal Ball Award, the “Five Golden Bull Research Institution (五大金牛研究機構)” by Golden Bull Award. Sixthly, we have expedited the financial technology construction, and increased our investments in financial technology to support the rapid expansion of our businesses. Seventhly, we always carry a grateful heart to earnestly fulfill our corporate social responsibilities by participating in public welfare undertakings such as rural revitalization as well as the prevention, control and support of pandemic, in order to actively serve the country and give back to the society. Eighthly, with our success in holding the celebration activities of 30th anniversary of our establishment, we have motivated our employees to work and cultivate innovative ideas in business with passion, in order to promote the excellent corporate culture of Guangfa and further enhance the sense of mission and belonging of our employees.



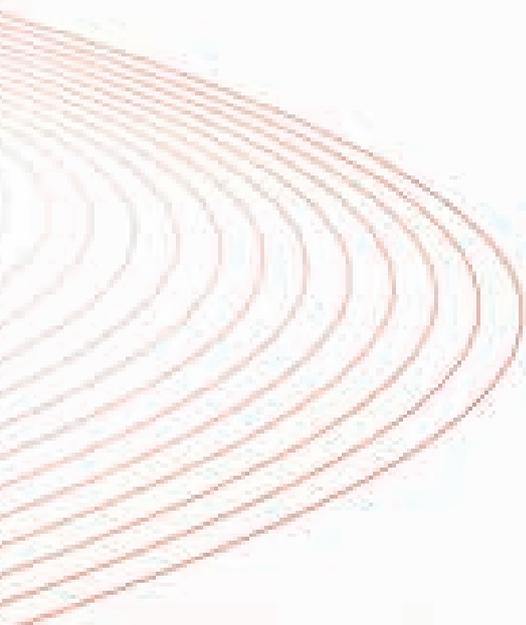
In 2021, the Company has continued to maintain a positive momentum of development, and remained at the forefront of the industry in terms of our operating performance. We have not only achieved the total revenue and other income as high as RMB41.915 billion, but also the net profit attributable to owners of the Company of RMB10.854 billion, as well as the return on weighted average net assets of 10.67%, all reaching the highest levels of all in the recent five years and contributing to the ongoing improvement in our development quality. Such achievements are inseparable from the extensive support of every customer, shareholder, partner and all sectors of the society, as well as the concerted efforts and hard work of all employees of the Company. As such, I, on behalf of the Board and the management of the Company, hereby express my heartfelt gratitude to all of you.

In 2022, under the general tone of seeking progress while maintaining stability in the Chinese economy, the capital market will be led by the full implementation of the Registration System Reform, which will actively contribute to the virtuous circle of high standards in technology, industry and finance. In this context, the securities industry will continue to face new development opportunities. The industry will also move towards a highly competitive landscape under the competitive situation of providing customers with comprehensive and platform-based services across the entire business chain and life cycle. The Company will act upon the philosophy of high-quality development, adhere to the leadership of corporate culture, strengthen the construction of its core capabilities, propel the reform of its business model, and promote the continuous improvement of the competitiveness of its business segments, striving to build a quality comprehensive financial service platform gathering “outstanding assets, products and customers”. On top of the list, we will continue to focus on our principal duties and businesses, and establish our operation model of “research + N” in order to optimize and reinforce our core businesses with our persistence in adhering to the path of professional development. Following that, we will scientifically construct our business structure, refine and optimize our advantageous businesses, strengthen our business developments in fields including capital agency and wealth management, in order to form a more reasonable, stable and sustainable income structure. Last but not least, we will continue to improve our ability to make changes to deepen our financial technology strategy, improve our assessment and incentive mechanism, and strengthen our comprehensive risk management ability, in order to ensure the stable and long-term development of the Company.

Standing firm and strong at our thirty, we are about to embark on a new journey with a great deal of independence and courage, and to brace for every challenge ahead. Taking root in our new agenda, together with our continuous efforts in improving the “soft power” of our corporate culture and the “hard power” of our businesses, GF Securities will focus on perfecting its internal operations, continuously creating its core competitiveness at every new development stage for advancing our own high-quality development, proactively serving the real economy, and meeting with our customers’ needs. We also endeavour to build a top-notch investment banking and wealth management institution to create returns for our extensive shareholders with a more superior operation performance.



| SECTION 4
DIRECTORS' REPORT



The directors of the Company (the “Directors”) present the annual report and the audited consolidated financial statements of the Company and the Group for the year ended December 31, 2021. Contents of relevant section in this report mentioned in the cross references in the Directors’ Report forms part of the Directors’ Report.

I. DEVELOPMENT OF THE INDUSTRY IN WHICH THE GROUP OPERATES DURING THE REPORTING PERIOD

During the Reporting Period, the development of the industry in which the Company operates was as follows:

(1) Since the comprehensive deepening of reforms, the reforms at both sides of investment and financing have continued to advance. In terms of financing-side reform, the multi-level capital market continued to improve, and the securities industry showed a steady and developing trend. The report of the 19th National Congress of the Communist Party of China clearly put forward the need to strengthen financial services for the real economy and raise the proportion of direct financing. After the establishment of the STAR Market and launch of the pilot registration system in 2019 and the promotion of the pilot registration system for the ChiNext Board in 2020, the establishment of a multi-level capital market has taken another milestone in 2021. The Beijing Stock Exchange has established and implemented a registration system, focusing on serving the financing needs of “specialized, refined, featured and innovative” small and medium-sized technology companies. According to the deployment of the Central Economic Work Conference, with the implementation of a comprehensive share issuance registration system in 2022, the development of the capital market will usher in a new chapter. In terms of investment-side reform, the relevant policies have facilitated the entry of medium and long-term funds into the market, and promoted the development and growth of institutional investors such as public funds. In addition, the fund investment advisory business has been piloted, and the business qualifications and other measures have been gradually issued. (2) The wealth of residents has been accumulated and allocation structure has changed, and China has entered into a golden cycle of wealth management. With the continuous growth of China’s economy and the wealth of residents, asset management industry of China has developed rapidly. In recent years, under the influence of “housing is for living in, not for speculation”, the new regulations on assets management and the deepening reform of capital market, the standardized and NAV-measured asset management industry represented by public funds has become the sector with the most vitality and growth potential in the financial sub-field. The percentage of the standardized financial assets in the household asset allocation of China will increase, and there will be a huge room for development in resident wealth management business. (3) The change in investor structure and the increasing proportion of institutional investors have brought diversified business opportunities. With the robust development of public fund and private fund, the degree of participation of professional institutional investors, such as insurance funds, bank wealth management funds and offshore funds, has increased, which have not only alleviated the pressure of declining commission rate, but also brought diversified business opportunities such as custody, derivatives and market-making transactions. (4) Capital market was further opened up. On the one hand, the restrictions on foreign investment in China’s securities industry and asset management industry have been further loosened. On the other hand, the Group actively introduced overseas institutional investors by implementing various measures such as abolishing QFII quotas, lowering entry barriers and facilitating investments for overseas investment institutions and expanding cooperation with international indice agencies, and the



internationalization of the capital market is accelerating. (5) The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area expressly stated establishing an international financial hub, putting great efforts on the development of the featured financial industry, orderly promoting the interconnectivity of the financial markets and providing support to optimize the modern financial service system, which will allow the Group to leverage on regional advantages to take a lead in the Guangdong-Hong Kong-Macao Greater Bay Area through forward-looking strategic arrangements. (6) The investment research business has driven the high-quality development of the industry. The research business was based on institutional investor services to improve the service quality of institutional investors and expand the scope of services. Meanwhile, it can fully empower capitalization, wealth management, derivatives and other business lines of investment banks, so as to drive high-quality development of all business lines through research business. (7) Customer-oriented and one-stop comprehensive financial services have gradually become a common proposition in the industry. The securities industry was exploring group-based, whole-industry-chain operations, and strengthening departmental collaboration under the premise of compliance to meet customer integration requirements.

During the Reporting Period, the Company's major operating indicators ranked among the top in the industry.

II. MAIN BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD

The Group is a provider of comprehensive capital market services with industry-leading innovation capabilities focused on serving China's quality enterprises and many investors with demand for financial products and services. The Group has built a diversified business serving the various needs of corporations, individuals, institutional investors, financial institutions and government clients. The main business of the Group can be classified into four segments, namely investment banking, wealth management, trading and institution and investment management.

Products and services of the four business segments are set out in the table below:

Investment Banking	Wealth Management	Trading and Institution	Investment Management
<ul style="list-style-type: none"> ◆ Equity finance ◆ Debt finance ◆ Financial advisory 	<ul style="list-style-type: none"> ◆ Brokerage and wealth management ◆ Margin financing and securities lending ◆ Repurchase transactions ◆ Financial leasing 	<ul style="list-style-type: none"> ◆ Equity and derivatives trading ◆ Fixed income sales and trading ◆ OTC sales and trading ◆ Alternative investment ◆ Investment research ◆ Asset custody 	<ul style="list-style-type: none"> ◆ Assets management ◆ Public fund management ◆ Private fund management

Investment Banking: the Group earns its commissions, sponsor and consulting fees through underwriting stocks and bonds and providing sponsor and financial advisory services;

Wealth Management: the Group earns its fees, consulting fees and commissions through providing brokerage and investment advisory services, obtaining interest income from its business of margin financing and securities lending, repurchase transactions, financial leasing, and management of settlement fund on behalf of clients, and earning its fees through acting as agent for the sales of financial products developed by the Group and other financial institutions;

Trading and Institution: the Group earns its investment income and interest income through investment transactions, alternative investments and market making services from equity, fixed income and derivatives, earning its fees and commissions through providing transaction consultation and execution, investment research services and the main broker services to institutional customers;

Investment Management: the Group earns its management fees, advisory fees and performance fee through providing services for the assets management, public fund management and private fund management.

The primary securities business of the Group relies on China's economic growth, accumulation of household wealth and the development and performance of China's capital markets, including the issuance, investment and trading of financial products (such as stocks, bonds and wealth management products). These important factors are affected by the combination of economic environment, regulatory environment, investor sentiment and international market, which have shown an overall stable and healthy trend. During the Reporting Period, the principal businesses and the operating model of the Group have had no significant changes, which was in line with the development of the industry.



III. BUSINESS REVIEW

Business operations and business review of the Group for the year ended December 31, 2021 are set out in “Management Discussion and Analysis”, which forms part of the Directors’ Report, in Section 5 of this report.

IV. ANALYSIS ON CORE COMPETITIVENESS

1. Excellent corporate culture

An excellent corporate culture is the most fundamental source of strength for the Company to grow and flourish. In making continuous progress in developing its corporate values and excellent cultural genes with the core value of “inquisitiveness and integrity”, the Company forms its mission of “creating values to realize the dream of serving the country with financial services” and the operation and management philosophy of “stable growth, continual innovations, performance driven culture and coordinated and efficient business strategies”. The Company advocates achieving success with professionalism and pioneering with innovations, along with its persistence in adhering to the path of professional development. Embracing professionalism, responsibility and professional pursuit, we endeavour to become a top-notch investment banking and wealth management institution. The Company insists on serving the macro needs of the country and the real economy, and actively fulfills its social responsibilities. It always focuses on the development of every major business when optimizing and strengthening its core businesses, in order to meet its customers’ needs with high-quality financial services, and to create returns for its extensive shareholders with a promising operation performance.

2. Forward-looking strategic doctrine

In the early days of development during the 1990s, the founding team of the Company, which mainly consists of intellectuals from universities and colleges, has clearly proposed the development strategy of “running with shareholding system and group structure and in an internationalized and standardized manner”, pointing the direction of the development of the Company. Under the leadership of the previous leading bodies of the Company, which were committed to our development and renewal, the Company has improved, enriched and upgraded the strategic ideology of “Four Modernizations” in the critical period of innovation and transformation in the industry, ensuring the Company’s forefront position in the industry over the past 30 years. With its shares listed and traded on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange in 2010 and 2015, respectively, the Company is the third securities company in China with its A+H shares listed through IPO. The Company is one of the first securities companies in the industry to set up futures and fund companies, and established its Hong Kong branch in 2006. The Company has a sound corporate governance structure and a standardized system for continuous compliance with internal and external requirements.

Over the past 22 years, the top three shareholders of the Company have been Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities (all public listed companies) (excluding HKSCC Nominees, as the shares held by HKSCC Nominees are owned by non-registered shareholders of H Shares). A long-term stable shareholding structure ensures the continuity and stability of our management team, supporting our commitment to the strategic path of “sticking to the blueprint until the end”.

3. A securities group that has a financial platform with outstanding comprehensive strength

The Company possesses licenses for a full range of services including investment banking, wealth management, transaction and institution and investment management. The Company, through its subsidiaries, provides global and domestic clients with comprehensive financial services, covering futures, publicly-offered funds, asset management, private investment fund, alternative investment and overseas business, forming the financial platform of a securities group with securities business as the core and businesses that cover domestic and global markets.

The Company has a complete business system, a rational and balanced business structure, as well as industry-leading comprehensive financial service capabilities. With main operating indicators ranked among the top ten securities companies in China for 28 consecutive years, the Company is one of the most influential securities companies in China's capital market. The parent company and its subsidiaries have developed together, and each subsidiary has been ranking among the forefront in the industry in which it operates, with increasing contribution to the Group's profit. In 2021, the major subsidiaries accounted for 37.54% of the net profit of the Group attributable to owners of the parent company. At the end of 2021, the fund management scale of GF Fund and E Fund after excluding monetary funds ranked third and first in the industry, respectively. GF Asset Management ranked third in the industry in terms of the average monthly scale of private assets under active management. GFHK has all necessary business licenses and its capital strength is at the forefront among the Hong Kong subsidiaries as Chinese-funded securities companies. GF Futures has been rated as Class A and Grade AA of futures companies for eight consecutive years, and has formed a business network facilitating the development of global derivatives markets through Hong Kong and London. In recent years, GF Xinde and GF Qianhe have won numerous honors such as "Top 50 Private Equity Investment Institutions in China" and "Top 10 Securities Company Equity Investment Institutions in China" by Zero2IPO, respectively.

4. Leading core businesses

The Company enjoys advantages as it is deeply rooted in the core location of Guangdong-Hong Kong-Macao Greater Bay Area with customer resources. It promotes the innovative spirit of "leading innovation, pragmatic and enterprising" by adhering to being customer-centric, developing and innovating based on customer needs, and striving to provide better services. Over the past 30 years, with solid professional ability, outstanding innovation ability and the concept of creating value for customers, the Company has developed from a securities business department with only RMB10 million of working capital to a large national comprehensive securities company with strong capital strength and outstanding core business advantages.



The Company has industry-leading investment and research capabilities, and has won the first prize of “Best Local Research Team of New Fortune”, “Golden Bull Research Institute” and other industry authoritative awards for consecutive years by building a “research + N” business model. With industry-leading wealth management capability, it has provided wealth management services to nearly 15 million customers through 309 branches and business departments and more than 4,000 securities investment consultants in China. In 2021, the net income from the agency sale of financial products ranked third in the industry. We realized full development in various operations of the investment banking business, with a comprehensive business chain ranked among the top in the industry in terms of ability to provide services. We have ranked among the top ten for consecutive 14 years in terms of the number of IPOs, and have ranked first for three times. The Company has committed to the principle of driving business development by technological innovation by increasing input into financial technology and actively employing advanced concepts, techniques and tools, so as to continuously enhance harmonization of our financial technology and operation and promote their digital transformation.

5. Philosophy of compliance and steady development

The Company is one of the first batch of pilot compliance management brokerages selected by the CSRC, one of the first brokerages to implement a comprehensive risk management strategy in the industry, and one of the few major brokerages which has not received investment or restructuring due to operating losses among the first batch of brokers established from the end of the 80's to the early 90's. During the past 30 years, the Company has been adhering to the philosophy of “stable growth” while maintaining the focus on developing its major business lines. It has been firmly conforming to the compliance base line, and has set up and continued to improve the comprehensive risk management system. With these efforts, the Company has survived challenges including a series of crackdown on the industry and market fluctuations. In 2021, the Company was granted the Class A and Grade AA rating for securities firms, which was the highest rating in the industry.

6. First-class professional talents

The Company has been respecting knowledge and talents since its inception. It has been recognized as an “army of doctors” in the capital markets and has established a postdoctoral working station in 1999, which was the first one in China. The Company believes that relying on first-class talents is the key to develop itself into a first-class securities company and have a professional, high-caliber and loyal talent team that has strong sense of responsibility and shares the culture of the Company. To date, the management team members have an average of approximately 25 years of managerial experience in the areas of securities, finance and economics and have served an average term of over 15 years. They also have extensive experience in operation and management. Over the past three years, the voluntary turnover rates of the middle and high-level management team and the employees were approximately 2.36% and 2.28%. In recent years, the Company has been building a team consists of young personnel by recruiting young people who are competent and willing to deliver performance, so as to further strengthen our vitality and enterprising spirit in providing unflinching driving force for long-term development of the Company.

V. PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

The formulation and implementation details of the Company's cash dividends policy and the profit distribution proposal for 2021 are set out in "XI. Profit Distribution and Conversion of Capital Reserves into Share Capital of the Company" of Section 6 "Corporate Governance" in this report.

VI. SHARE CAPITAL CHANGES AND MATTERS RELATING TO BONDS

During the Reporting Period, there were no changes in the total number of ordinary shares and the shareholding structure of the Company.

For details on the issuance of securities (excluding preference shares) during the Reporting Period, please refer to "II. Securities Issuance and the Listing" of Section 9 "Changes in Shareholdings and Particulars about Shareholders" in this report.

For details on the issuance of corporate bonds, subordinated bonds, short-term financing bills and financial bonds by the Company, please refer to Section 11 "Bonds" in this report.

VII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

For details of the composition of the Directors, Supervisors and senior management of the Company, its changes and biographies during the Reporting Period, please refer to "V. Particulars about Directors, Supervisors and Senior Management" of Section 6 "Corporate Governance" in this report.

VIII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into "Service Contracts for Directors" and "Service Contracts for Supervisors" with each of the eleven Directors of the current Tenth Session of the Board of Directors and each of the five Supervisors of the current Tenth Session of the Supervisory Committee. The term of office of the Directors and Supervisors was effective from the date of approval by the General Meeting or the employee representatives meeting until the expiry date of the term of office for the Tenth Session of the Board of Directors and the Supervisory Committee. The "Service Contracts for Directors" and "Service Contracts for Supervisors" provide the agreed terms on the duties and responsibilities of the Directors and Supervisors during their term of office and their term of office.

In addition, none of the Directors and Supervisors of the Company has entered into any service contract with the Company or its subsidiaries which is not terminable within one year without payment of compensation, other than statutory compensation.



IX. DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Please refer to “9. Directors, Supervisors and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations” under “III. Shareholders and De Facto Controllers” of Section 9 “Changes in Shareholdings and Particulars about Shareholders” in this report.

X. SHARE PURCHASE RIGHTS OF DIRECTORS AND SUPERVISORS

Save as disclosed above, none of the Company or any of its subsidiaries has participated at any time during the year in any arrangement through which the Directors and Supervisors of the Company may benefit by purchasing shares or bonds of the Company or any other entities.

XI. PERMITTED INDEMNITY PROVISION

Appropriate insurance policy arrangements have been made by the Company in respect of the responsibilities of the Directors and members of the senior management to cover possible legal liabilities owed to third parties arising from corporate activities that may be faced by the Directors and members of the senior management.

XII. INTEREST OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

Except for the service contracts, neither the Company nor its subsidiaries have entered into any significant transactions, arrangements or contracts in which the Directors or Supervisors of the Company or their connected entities had or continue to have, directly or indirectly, a material interest during the Reporting Period.

XIII. INTEREST OF DIRECTORS IN BUSINESSES IN COMPETITION WITH THE COMPANY

Mr. Qin Li, our Executive Director, was nominated to act as a director of E Fund, which is a fund management company in China, in which we held 22.65% equity interest as of December 31, 2021. E Fund provides asset management services to insurance companies, finance companies, corporate annuities, other institutional investors, high net worth individuals and National Social Security Fund. Since E Fund is primarily engaged in fund management business, it competes or may compete, directly or indirectly, with certain aspects of our business.

The Directors are of the view that we are able to operate our business independently of E Fund and conduct transactions on arm's length because (i) we can only appoint one director among the nine directors of E Fund, and hence we have no control over its board of directors, (ii) the management team of E Fund is independent of our Company, (iii) we do not participate in the day to day management of E Fund and do not share any operating facilities with E fund, and (iv) we are financially independent of E Fund.

Save as disclosed above, none of the Directors has any interest in any business that competes or may compete with our business, directly or indirectly.

XIV. MANAGEMENT CONTRACTS

For the year ended December 31, 2021, no contract has been entered into for the management and administration of the entire business or any material part of the business of the Group.

XV. MAJOR CUSTOMERS

The Company provides diversified businesses and services to satisfy the diverse needs of customers, such as enterprises, individuals and institutional investors, financial institutions and the government. Our major customers are based in the PRC. With further progress in internationalization and the development of international business, the Company will provide services to more overseas customers. In 2021, income generated from the five largest customers of the Company contributed 1.53% to the total revenue and other income of the Company.

None of the shareholders controlling more than 5% of the shareholding of the Company, Directors, Supervisors and their respective associates has any interest in the five largest customers of the Company. The Company has no major supplier due to the nature of its business.

XVI. CHARITABLE DONATIONS

During the Reporting Period, the Group's total expenditure on social charity was RMB63.9320 million. The GF Securities Social Charity Foundation in Guangdong Province (廣東省廣發證券社會公益基金會) established by the Group actively organized activities for poverty relief and provided financial support for education. The total expenditure on social charity for the full year was RMB56.3495 million.

XVII. RESERVES AND RESERVES FOR PROFIT DISTRIBUTION

For particulars about changes in reserves and reserves for profit distribution, please refer to the "Consolidated Statement of Changes in Equity" of Financial Statements and Notes 58 and 59 of the Notes to the Consolidated Financial Statements in this report.

XVIII. EMPLOYEES

Human resources is one of the greatest assets of the Group. The Company is committed to increasing effort in building its talents pool by enhancing training and improving the quality of employees. Please refer to "IX. Information of the Staff of the Company" in Section 6 "Corporate Governance" in this report.

XIX. PRE-EMPTIVE RIGHT

Pursuant to the regulations under the PRC laws and the Articles of Association of the Company, shareholders of the Company have no pre-emptive right.



XX. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING AND PERFORMANCE OF SOCIAL RESPONSIBILITIES

Regarding the performance of social responsibilities of the Company, please see “II. Social Responsibilities” of Section 7 “Environment and Social Responsibilities” in this report. For environmental policy and performance, the Company cares about environmental and ecological development, promotes low carbon environmental protection, advocates green business and green office ideas, upgrades video conferencing system, paperless meeting system, teleconferencing system, conference room reservation system etc., continues printing and copying outsourcing development, minimizes energy consumption, optimizes resources allocation, and actively contributes to the sustainable development of the society. The Company has complied with the mandatory disclosure requirement and the “comply or explain” provisions as set out in the Environmental, Social and Governance Reporting Guide during the year, for details, please see “GF Securities Co., Ltd. 2021 Social Responsibility Report” published by the Company.

Regarding the governance of the Company, please see Section 6 “Corporate Governance” in this report. The Company has been improving the internal control management system and gradually enhancing the completeness, reasonability and effectiveness of internal control; the Company has further established and refined its rules and regulations, and each governance department of the Company has been fully performing their duties, complying with all provisions set out in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules and achieving most of the requirements of recommended best practices provided in the aforesaid rules.

XXI. REVIEW OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

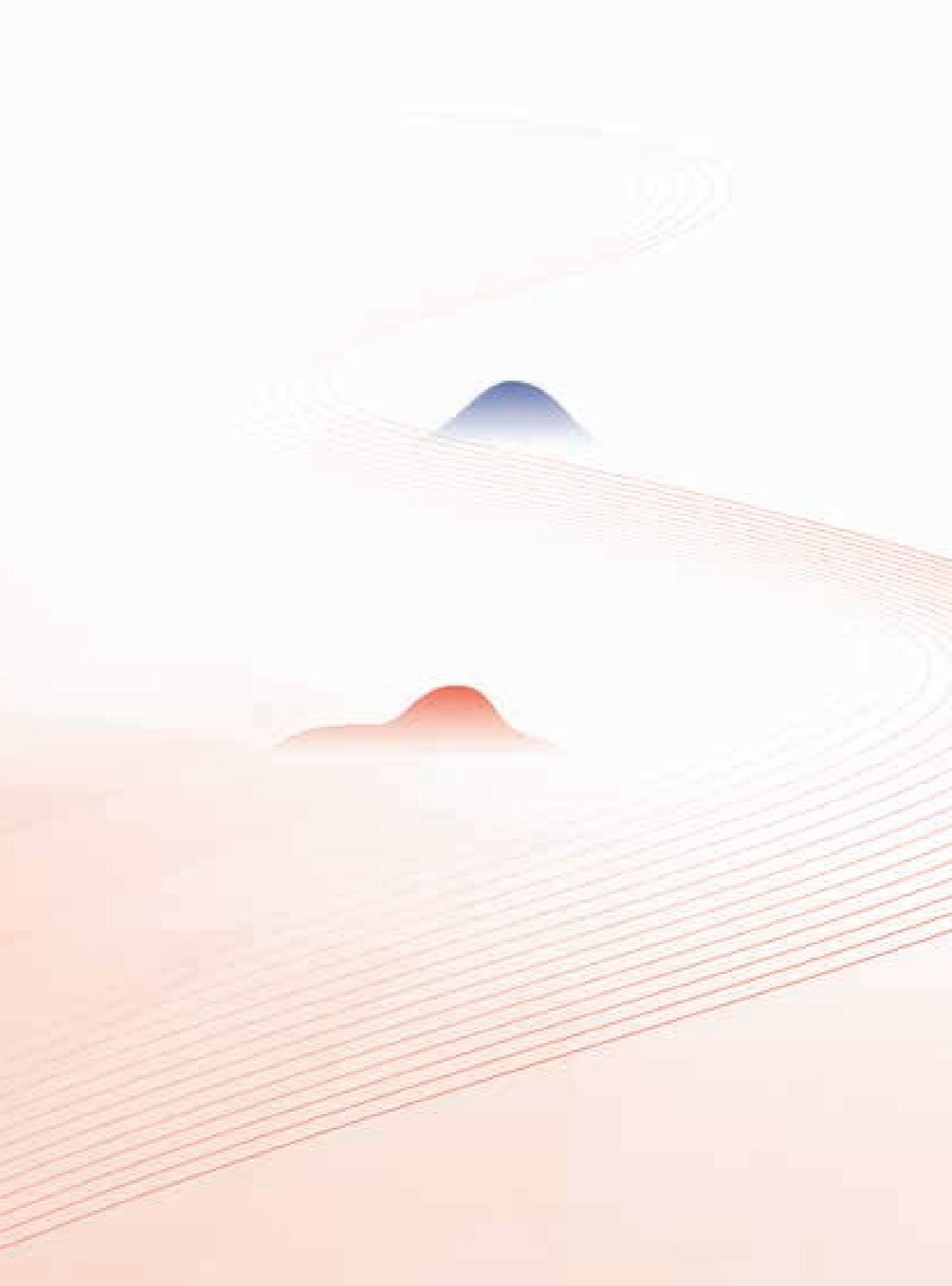
The financial statements of the Company for the year ended December 31, 2021 have been reviewed by the Audit Committee of the Board of Directors of the Company.

XXII. EVENTS AFTER THE END OF THE REPORTING PERIOD

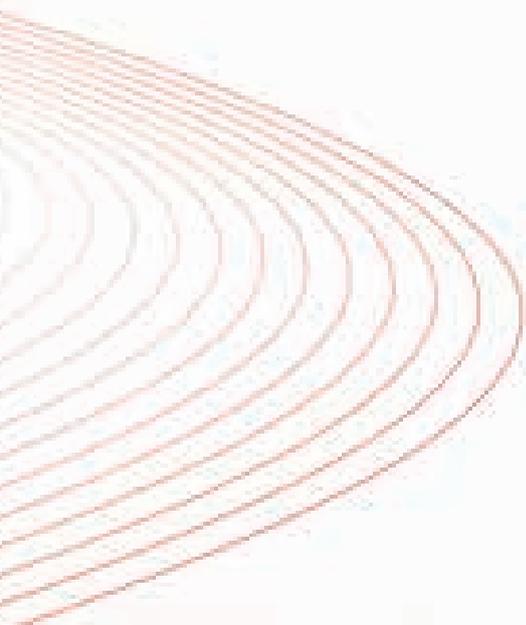
Please refer to Note 74 of the Notes to the Consolidated Financial Statements in this report for details of significant events after the end of the Reporting Period.

By Order of the Board
Lin Chuanhui
Chairman

Guangzhou
March 30, 2022



SECTION 5
MANAGEMENT
DISCUSSION
AND ANALYSIS



I. OVERVIEW

In 2021, in the face of multiple challenges such as the complex and severe international environment and the spread of domestic epidemics, the entire country earnestly implemented the decisions and arrangements of the Party Central Committee and the State Council, and conducted scientific coordination between epidemic prevention and control and economic and social development. The national economy continued to recover and develop, and people's livelihood was ensured in a strong and effective way, which delivered a new progress in high-quality development. The annual GDP increased by 8.1% over the previous year, and achieved a good start to the "14th Five-Year Plan" (Source: National Bureau of Statistics, 2022).

In 2021, by focusing on the overall goal of "building a standardized, transparent, open, dynamic and resilient capital market", the regulatory authorities have introduced a series of policies and measures to deepen the reform and opening up of the capital market, steadily increase the proportion of direct financing and vigorously improve the governance capacity of the capital market, thus promoting the construction of a new development pattern and high-quality development of capital market services. Based on the statistics from the Securities Association of China (unaudited financial statements), the total assets, net assets, net capital, customers' transaction settlement fund amount and the asset management scale in the securities industry were RMB10.59 trillion, RMB2.57 trillion, RMB2.00 trillion, RMB1.90 trillion and RMB10.88 trillion as of the end of 2021, representing a year-on-year increase of 19.07%, 11.34%, 9.89%, 14.66% and 3.53%, respectively. In 2021, 140 securities firms in the industry were profitable with total operating revenue in the industry of RMB502.410 billion, representing a year-on-year increase of 12.03%. Specifically, net income from agency sales of financial products was RMB20.69 billion, representing a year-on-year increase of 53.96%; net income from the investment banking business was RMB69.983 billion, representing a year-on-year increase of 4.12%; net income from the investment advisory service business was RMB5.457 billion, representing a year-on-year increase of 13.61%; net income from the asset management business was RMB31.786 billion, representing a year-on-year increase of 6.10%; net profit for the year was RMB191.119 billion, representing a year-on-year increase of 21.32% (Source: Securities Association of China, 2022).

The year of 2021 is the 30th anniversary since the inception of the Company. Under the guidance of the Board, the management of our Company guide our staff striving ahead to "reform proactively with a focus on building core competitiveness and promoting high-quality enterprise development", and insisting on "customer-centric" to promote the transformation of operation model, optimize business structure, improve development quality, optimize platform construction, and enhance comprehensive service capabilities. In the fiercely competitive market environment, it has achieved good operating performance. In 2021, the Company was rated as Class A Grade AA Securities Company, and all businesses were carried out in an orderly manner. As of December 31, 2021, total assets of the Group amounted to RMB535,855 million, representing an increase of 17.14% as compared to the end of 2020, and equity attributable to owners of the Company was RMB106,625 million, representing an increase of 8.62% as compared to the end of 2020. During the Reporting Period, the total revenue and other income of the Group was RMB41,915 million, representing a year-on-year increase of 16.48%; the total expenses were RMB28,379 million, representing a year-on-year increase of 22.07%; the net profit attributable to owners of the Company was RMB10,854 million, representing a year-on-year increase of 8.13%.



II. ANALYSIS OF PRINCIPAL BUSINESSES

The principal businesses of the Group can be divided into four segments, namely investment banking business, wealth management business, trading and institution business and investment management business.

1. Investment banking business segment

The Group's investment banking business segment mainly comprises of equity financing business, debt financing business and financial advisory business.

(1) Equity financing business

In 2021, the equity financing market has been growing. In 2021, the total number of equity financing projects (including IPO, new issuance, rights issue, preference shares, convertible bonds (of which new issuance included assets acquired by issuing shares)) in the A share market and the total amount were 1,178 and RMB1,774.654 billion, respectively, representing a year-on-year increase of 18.99% and 9.43% respectively. Specifically, the number and financing size of IPOs were 524 and RMB542.675 billion, respectively, representing an increase of 32.32% and 15.47%, respectively; while the number and financing size of refinancing projects were 654 and RMB1,231.979 billion, respectively, representing a year-on-year increase of 10.10% and 6.97% respectively. (Source: WIND, 2022).

During the Reporting Period, the company continued to promote the transformation of investment banking business, continuously strengthened compliance and risk control management and optimized the operation mechanism of investment banking business. It also gave full play to the advantages of the Group's platform, adhered to customer-centric operation and strengthened customer cultivation and expansion to consolidate business development. In 2021, the Company completed 4 equity financing projects for which the Company acted as a lead underwriter, and the lead underwritten amount was RMB1.425 billion. Details of the Company's equity underwriting and sponsorship business in 2021 are set forth in the table below:

Item	From January to December 2021		From January to December 2020	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Initial public offering (IPO)	–	–	43.94	8
Refinancing offering	14.25	4	–	–
Total	14.25	4	43.94	8

Source: Statistics of the Company, 2022.

(2) Debt financing business

In 2021, the epidemic prevention and control has become normalized, and the overall economic situation has improved. Although the growth in issuance size of major credit bonds¹ weakened, it has shown a steady growth trend. The issuance scale of major credit bonds was RMB16,423.259 billion, showing a slight upward trend and a year-on-year increase of 4.38%. Specifically, the issuance scale of corporate bonds increased significantly, with the issuance scale and growth rate of RMB439.94 billion and 12.05%, respectively; the issuance scale of debt financing instruments of non-financial enterprises and corporate bonds were RMB8,641.319 billion and RMB3,452.524 billion, with a growth rate of 7.33% and 2.46%, respectively; the issuance scale of non-policy financial bonds was RMB3,847.316 billion, down by 0.66% year-on-year (Source: WIND, 2022).

During the Reporting Period, the Company has carried out debt financing business in an orderly manner. The Company has actively seized market opportunities and increased investment in bond underwriting business to provide customers with comprehensive financial services. It has also intensified efforts to develop customers in key regions, and continued to strengthen due diligence, risk management and quality control to build a solid bottom line for risk prevention and control. In 2021, the Company acted as the lead underwriter for 40 bonds, with a lead underwritten amount of RMB30.995 billion.

Item	2021		2020	
	Lead underwritten amount (RMB100 million)	Number of offerings	Lead underwritten amount (RMB100 million)	Number of offerings
Enterprise bonds	75.72	16	117.30	22
Corporate bonds	53.46	6	165.47	46
Debt financing instruments of non-financial enterprises	24.00	2	72.96	13
Financial bonds	156.77	16	379.18	23
Total	309.95	40	734.90	104

Source: Statistics of the Company, 2022.

1 Major credit bonds include corporate bonds, enterprise bonds, debt financing instruments of non-financial enterprises, non-policy financial bonds and exchangeable Bonds.



(3) *Financial advisory business*

The Company's financial advisory business mainly comprises of merger and acquisition ("M&A") and restructuring of listed companies and NEEQ listings.

In 2021, with the acceleration of economic transformation and upgrading as well as the steady progress of the registration system, the M&A market shared new characteristics with industrial M&A as the key trend and principal business as the focus. At the same time, the M&A market was less active due to the impact of multiple factors such as the macro-political and economic situation and the COVID-19 pandemic; 87 listed companies disclosed that their major asset restructuring had been completed and settled, representing a year-on-year decrease of 26.27%, and the trading size was RMB417.378 billion, representing a year-on-year decrease of 48.53%. There were 39 M&A and restructuring projects approved by the CSRC's Committee for M&A and Restructuring, representing a year-on-year decrease of 45.83%. During the Reporting Period, guided by the industrial policies, financial policies and regional development policies of the PRC, the Company actively participated in the M&A and restructuring activities of high-quality enterprises (Source: WIND, 2022).

In 2021, the Beijing Stock Exchange was unveiled, aiming to serve "earlier, smaller and newer" companies and develop in a dislocation with the Shanghai and Shenzhen Stock Exchanges. As of the end of December 2021, there were a total of 6,932 companies listed on the NEEQ and 82 companies listed on the Beijing Stock Exchange. In terms of market liquidity, the activity level of the NEEQ market increased significantly in 2021, with an annual turnover of RMB214.816 billion, representing a year-on-year increase of 65.93% (Source: NEEQ, 2022). In 2021, the turnover of the Beijing Stock Exchange was RMB160.98 billion with 9.586 billion shares being traded (Source: website of the Beijing Stock Exchange, 2022). The introduction of relevant policies of the Beijing Stock Exchange has lowered the threshold for qualified investors, deepened the reform of the NEEQ market, and brought new opportunities for the Company's investment banking business.

During the Reporting Period, the Company adhered to the core principle of discovering value. Leveraging on its outstanding research capabilities, the Company strengthened business synergy and provided high-quality integrated services for valued customers. As of the end of December 2021, the Company sponsored a total of 33 companies listed on the NEEQ as the lead brokerage (Source: NEEQ, Statistics of the Company, 2022).

In addition, in respect of the overseas investment banking business, the Company carried out such business primarily through its indirect wholly-owned subsidiary, GF Capital (Hong Kong). During the Reporting Period, GF Capital (Hong Kong) completed 32 projects in which it acted as lead underwriter (including IPO, refinancing and bond offering) and financial adviser.

2. Wealth management business segment

The Group's wealth management business segment mainly comprises brokerage and wealth management business, margin financing and securities lending business, re-purchase transaction business and financial leasing business.

(1) *Brokerage and wealth management business*

The Group provides brokerage services for its customers to buy and sell stocks, bonds, funds, futures and other tradable securities.

At the end of December 2021, the SSE Composite Index and the SZSE Component Index increased by 4.80% and 2.67%, respectively, as compared to the end of last year, while the trading volume of stocks and funds in the market was RMB276.30 trillion, representing a year-on-year increase of 25.33% (Source: WIND, 2022).

In 2021, as the Company strengthened technological finance and multi-channel construction and operation, the number of new customers and asset scale increased significantly. The Company firmly promoted the transformation of wealth management, and the agency sales of financial products maintained rapid development. It also accelerated the promotion of the platformization and ecologicalization of institutional customer service to build a unified service portal for institutional customers. In addition, the Company continued to promote comprehensive operation and collaborative services with its comprehensive service system and professional capabilities. As the scale of enterprise WeChat customers continued to grow and the private domain traffic operation and service business developed in a compliant and efficient manner, the platform effect at company level has started to appear. Since solid compliance risk control and management supported business transformation and development, the Company's competitiveness was further enhanced.

As of the end of December 2021, the balance maintained by the agency sales of financial products of the Company recorded a year-on-year increase of 17.32% and the Company ranked third amongst the securities dealers in terms of the balance of public fund maintained in the agency sales of non-monetary market (Source: Asset Management Association of China (中國基金業協會), 2022). As of the end of 2021, the number of the Company's mobile-phone securities users exceeded 37.40 million, representing an increase of approximately 16% as compared to the end of last year; during the Reporting Period, the sales and transfer amount of financial products of the Yitaojin E-commerce platform amounted to RMB327.1 billion.

From January to December 2021, the trading volume of stocks and funds of the Company was RMB21.31 trillion (bilateral statistics), representing a year-on-year increase of 22.92%.



The trading volume and market share of the Company's securities trading agency business are shown in the table below:

Item	January to December 2021		January to December 2020	
	Trading volume as agent (RMB100 million)	Market share (%)	Trading volume as agent (RMB100 million)	Market share (%)
Stocks	200,294.66	3.88	164,286.42	3.97
Funds	12,806.19	3.49	9,083.31	3.33
Bonds	378,072.63	4.99	264,017.33	4.30
Total	<u>591,173.48</u>	<u>4.51</u>	<u>437,387.05</u>	<u>4.15</u>

Note 1: The data is from the statistics of SSE, SZSE and WIND, 2022;

Note 2: The data in the above table is the data of the parent company;

Note 3: The market share refers to the ratio of trading volume of this type of securities to the total trading volume of such type of securities traded on the SSE and SZSE in the same period.

The financial products agency sales of the Company in 2021 are shown in the table below:

Type	Total sales amount for the period (RMB100 million)	Total redeemed amount for the period (RMB100 million)
Fund products	1,056.67	735.94
Trust products	248.24	156.40
Other financial products	5,006.57	5,161.99
Total	<u>6,311.48</u>	<u>6,054.33</u>

Note: The total sales and redeemed amount in this table includes the subscription, application, redemption and targeted investment of OTC products and on-market products, as well as the sales of asset management products issued by GF Asset Management.

In respect of the futures brokerage business, the Group carried out the futures brokerage business through its wholly-owned subsidiary, GF Futures, and provides trading and settlement services for customers in major international commodity and derivative markets through the wholly-owned subsidiary of GF Futures, GF Futures (Hong Kong), and the wholly-owned subsidiary of GF Futures (Hong Kong), GF Financial Markets (UK) Limited.

In regions outside of the PRC, the Group provides brokerage services for high-net-worth individuals and retail customers primarily through its indirectly wholly-owned subsidiary, GF Securities (Hong Kong), covering financial products such as stocks and bonds listed on the Hong Kong Stock Exchange and overseas exchanges, using self-developed Yitaojin (易淘金) international version of trading system to focus on development of overseas wealth management business. In 2021, the transformation from brokerage business to wealth management achieved remarkable results with increasing number of high-net-worth customers, scientific and technological financial capability was enhanced, and the operating income, number of accounts opened, product sales and number of customers covered by the product achieved significant year-on-year growth.

(2) Margin financing and securities lending business

In 2021, the structure of the A share market was significantly differentiated. For the whole year, the CSI 300 Index dropped by 5.20%, the ChiNext Index increased by 12.02%, and the CSI 500 Index increased by 15.58%. The capital market continued to expand, the trading volume has increased significantly, and the process of institutionalization has accelerated. As of the end of December 2021, the balance of margin financing and securities lending in the SSE and SZSE was RMB1,832.191 billion, representing an increase of 13.17% as compared to the end of last year (Source: WIND, 2022).

In 2021, based upon the origins of its business with focus on continuous persistence in “customer-orientation”, the Company has facilitated healthy and orderly development of the business while working on customer service, compliance and risk control. As of the end of December 2021, the balance of margin financing and securities lending of the Company was RMB94.009 billion, representing an increase of 11.50% as compared to the end of last year, and the market share was 5.13%.

(3) Repurchase transaction business

In 2021, the scale of stock pledged business in the market continued to shrink. During the Reporting Period, the Company conducted a robust stock pledged business and continued optimizing its business structure. The scale of stock pledged business maintained a dynamic balance. As of the end of December 2021, the balance of the exchange traded Stock Pledged Repo Transaction business carried out by the Company through its owned funds was RMB12.881 billion, and the business remained stable.



(4) Financial leasing

To enhance the stickiness of our customers and enhance the comprehensive financial services capability, the Company conducted financial leasing business through GFFL, our wholly-owned subsidiary.

In 2021, the financial leasing industry was put under great pressure. During the Reporting Period, GFFL continued to strengthen the construction and optimization of its comprehensive risk management system. As of the end of December 2021, the net financial leasing and sale and leaseback receivables amounted to RMB0.775 billion.

3. Trading and institution business segment

The Group's trading and institution business segment mainly includes the equity and derivatives trading business, fixed income sales and trading business, OTC sales and trading business, alternative investment business, investment research business and asset custody business.

(1) Equity and derivatives trading business

The equity and derivatives trading business of the Company mainly engages in market making and trading of shares, equity linked financial products and equity derivative products.

In 2021, as the trading volume of the A share market gradually enlarged and the activity level gradually increased, the daily trading volume repeatedly exceeded RMB1 trillion; in the derivatives market, the liquidity of derivatives increased gradually in line with the gradual opening up of the market.

During the Reporting Period, in adherence to the idea of value investment, the Company's equity investment better controlled its positions based on market fluctuations, which achieved better returns. Derivatives investment better seized the trading opportunities arising from the market fluctuations, which achieved better returns. Meanwhile, the average daily scale of the Company's market-making business increased substantially as compared to 2020, and the Company maintained the market liquidity, reduced the severe market volatility, improved the pricing efficiency and satisfied the investment needs of public investors by providing market maker services. The Company has won the 2021 Outstanding Option Market Maker Award from the SSE.

(2) Fixed income sales and trading business

The fixed income sales and trading of the Company consists mainly of sales of underwritten bonds to institutional clients, and market-making and trading of financial products and interest rate derivatives with fixed income. The institutional clients of the Company mainly include commercial banks, insurance companies, fund companies, financial companies, trust companies and qualified foreign investors who are approved to invest in China's capital market by the CSRC.

The Company conducts trading in various types of fixed income and related derivative products on the interbank bond market and exchanges in the PRC and provides market making services, such as government bonds, policy-based financial bonds, medium term notes, short-term financing bonds, enterprise bonds, company bonds, government bond futures, interest rate swaps and standard bond forward. The Company executes fixed income derivative instruments (such as interest rate swaps and government bond futures) to hedge the risk arising from trading transactions and market-making business. In 2021, the Company ranked No. 10 among securities firms in terms of the trading volume of bonds in China (Source: www.chinabond.com.cn, 2022).

During the Reporting Period, the Company properly managed the duration, leverage and investment scale of the bond investment portfolio, seized the staged market opportunities, and achieved better investment performance.

(3) OTC sales and trading business

The Company designs and sells a variety of OTC products, including non-standard products, beneficiary certificates and OTC derivatives. Meanwhile, the Company provides liquidity support to non-standard products and beneficiary certificates notes products through OTC.

As a primary dealer of OTC derivatives business, in 2021, the Company vigorously strengthened the construction of team and system, and continuously improved product creation, strategy innovation and trading and sales capabilities; through conducting return swaps, OTC options and other businesses, it continued to provide institutional customers with investment strategies and risk management solutions based on OTC derivatives.

As of December 31, 2021, the Company has issued 26,368 OTC products in aggregate with an aggregate amount of approximately RMB1,026.451 billion. The market value of the products as at the end of the Reporting Period was approximately RMB92.981 billion. Specifically, the Company issued 7,360 new OTC products with an aggregate amount of RMB181.97 billion in 2021. As of the end of December 2021, the Company provided market-making services for 67 companies listed on the NEEQ.



(4) Alternative investment business

The Group actively carried out alternative investment business with its own funds through GF Qianhe, a wholly-owned subsidiary. Currently, the Group mainly focuses on equity investment business.

In 2021, GF Qianhe focused on advanced manufacturing, semiconductors, healthcare, new consumption, TMT and other major fields. During the Reporting Period, GF Qianhe completed 89 new investment projects with a total investment of RMB4.078 billion (including direct investment projects undertaken due to standardization and rectification). As of the end of 2021, GF Qianhe has completed 231 investment projects.

(5) Investment research business

The investment research business of the Group mainly comprises investment research services provided in various areas such as macro economy, strategy, fixed income, financial engineering, industry and listed companies for institutional clients. The Company earned commission fee for sub-position transactions from institutional clients. Specifically, our investment research services cover the provision of research reports and customized investment research services for the National Social Security Fund, public funds, insurance companies, private funds, financial companies, wealth management subsidiaries of banks, securities firms and other institutional investors in Mainland China and Hong Kong. The Group's equity research covers nearly 800 A shares listed companies across 28 industries in the PRC, and over 160 companies listed in Hong Kong and overseas.

The outstanding research capacity of the Company enjoys a high reputation in the industry. The Company received numerous honors: 1st in the “New Fortune Domestic Best Research Teams (新財富本土最佳研究團隊)” for consecutive years from 2017 to 2021 and “Top 5 Golden Bull Research Team (五大金牛研究團隊)” award by “China Securities Industry Analyst Golden Bull Award (中國證券業分析師金牛獎)” for consecutive years. Meanwhile, it ranked in the forefront in the selection of “Sell-side Analyst Crystal Ball Award (賣方分析師水晶球獎)”, “Best Analyst of Shanghai Securities News”, “Golden Kirin (金麒麟)” Best Analyst of Sina, and “Golden Analyst of the 21st Century”. In addition, in order to further promote the research-driven business model, strengthen the promotion and support of research to the Company's core business and professional exchanges at home and abroad, the Company has established a first-level departmental industry research institute to empower the Company to develop the whole business chain.

(6) Asset custody business

The Company provides high-quality asset custody and fund services for various asset management products. The targets for the provision of such services include commercial banks and their wealth management subsidiaries, securities firms and their subsidiaries, fund companies and their subsidiaries, futures companies and their subsidiaries, private equity fund managers and various other asset management institutions.

In 2021, the private equity fund industry actively adapted to the new changes posed by the epidemic, and continued to develop in a standardized and professional manner with market resources further aggregating in medium and large high-quality private equity fund managers. The brokerage settlement model was adopted for publicly-offered funds which provided service opportunities for the asset custody business of brokerages. The custody outsourcing services in respect of wealth management products and trust products of banks was gradually deregulated for brokerages, which created opportunities for brokerages to provide outsourcing services.

During the Reporting Period, the Company actively expanded the market, strengthened infrastructure construction, improved comprehensive service capabilities and enhanced risk control system to consistently improve customer satisfaction. As of the end of December 2021, the total asset scale of asset custody and fund service business provided by the Company was RMB525.972 billion, representing a year-on-year increase of 60.93%, of which the scale of trust products was RMB262.466 billion, and the scale of fund service products provided was RMB263.506 billion.

4. Investment management business segment

The Group's investment management business segment mainly covers asset management business, public fund management business and private fund management business.

(1) Asset management business

Asset management services provided by the Group aim to preserve and increase the value of financial assets for its clients. The Group's asset management clients include individuals and institutional investors. The Group carries out asset management business through its wholly-owned subsidiaries, namely GF Asset Management and GF Futures, and its indirectly wholly-owned subsidiary, namely GF Asset Management (Hong Kong).

2021 is the last year of the transitional period of the Guidance on Regulating the Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》). Under the industry regulatory system represented by the New Regulations on Asset Management, all kinds of irregularities in the asset management industry have been effectively managed, laying a foundation for the steady development of the industry in the next step. The asset management of securities firms will face competition from different types of asset management institutions, such as public funds, private equity funds and wealth management subsidiaries of banks.



GF Asset Management manages the investments of client assets under various asset categories and investment strategies, including fixed-income investment, equity investment, quantitative investment and cross-border products. The clients of GF Asset Management mainly include commercial banks, trust companies, other institutional investors and affluent population including the high-net-worth individuals. During the Reporting Period, GF Asset Management actively promoted the standardized rectification of massive collection products. As of the end 2021, the rectification of all massive collection products has been completed; the issuance of new products and expansion of institutional customers have achieved good results, promoting the steady growth of total assets under active management, and therefore its ranking in terms of scale in the industry has improved.

As of the end 2021, the net value of collective asset management schemes of GF Asset Management increased by 157.60%, and that of its single asset management schemes and specific asset management schemes decreased by 14.29% and 30.60%, respectively, as compared with the end of 2020, and its total scale increased by 62.26% as compared with the end of 2020. The asset management scale of GF Asset Management as of the end of 2021 is as follows:

	Net value of asset management (RMB100 million)	
	December 31, 2021	December 31, 2020
Collective asset management business	3,525.61	1,368.63
Single asset management business	1,297.97	1,514.35
Specific asset management business	108.85	156.84
Total	<u>4,932.44</u>	<u>3,039.82</u>

Source: Statistics of the Company, 2022; the sum of the sub-items may be deviated from the aggregated data, which is caused by rounding.

As of the end of December 2021, the scale of regulatory entrusted fund of GF Asset Management ranked sixth (Source: the Securities Association of China, 2022). In the fourth quarter of 2021, the average monthly scale of private active asset management of GF Asset Management ranked third (Source: Asset Management Association of China, 2022).

The Group carries out futures asset management business mainly through GF Futures. In the area of overseas asset management business, the Group provides advice on securities and asset management services to its customers mainly through GF Asset Management (Hong Kong), its indirectly wholly-owned subsidiary. GFHK is one of the first financial institutions in Hong Kong with the PRC background granted with RQFII qualification.

(2) Public fund management services

The Group primarily carries out public fund management services through its controlling subsidiary, GF Fund, and associate company, E Fund.

In 2021, the public fund industry sustained rapid growth with its scale hitting a record high. Meanwhile, new businesses and new products have emerged one after another, REITS has officially set sail, the pilot for public fund investment advisory has been further expanded, and new products such as the STAR 50ETF, the Beijing Stock Exchange thematic fund, and interbank negotiable certificates of deposit have been launched. Therefore, innovation has become an important engine driving the development of the industry.

As of the end of 2021, the Company held 54.53% interest in GF Fund. GF Fund is one of the investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, other institutional investors and high-net-worth individuals. In addition, GF Fund can invest the capital raised domestically in overseas capital market through the Qualified Domestic Institutional Investors Program (QDII), and invest capital raised from overseas markets in China's capital market in the form of RQFII through GF International Investment Management Limited, its wholly-owned subsidiary. As of the end of 2021, the public funds managed by GF Fund in aggregate reached RMB1,129.625 billion, representing an increase of 47.97% as compared to the end of 2020, and the total fund size excluding money market funds amounted to RMB691.952 billion, ranking third in the industry (Source: Statistics of the Company, WIND, 2022).

As of the end of 2021, the Company held 22.65% interest in E Fund, was one of the three parallel largest shareholders. E Fund is one of the investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, enterprise annuity and other institutional investors as well as high-net-worth individuals. In addition, E Fund can invest capital raised domestically in overseas capital market through the Qualified Domestic Institutional Investors Program (QDII), and invest capital raised from overseas markets in China's capital market in the form of RQFII. As of the end of 2021, the public funds managed by E Fund in aggregate reached RMB1,706.429 billion, representing an increase of 39.28% as compared to the end of 2020, and the total public fund size excluding money market funds was RMB1,228.904 billion, ranking first in the industry (Source: Statistics of the Company, WIND, 2022).



(3) Private fund management services

The Group mainly engages in private fund management business through GF Xinde, its wholly-owned subsidiary.

In 2021, GF Xinde focused on such industries as biomedicine, intelligent manufacturing and corporate services. As of the end of 2021, GF Xinde set up and managed over 50 private funds, the total size of customers' assets under management was nearly RMB15 billion.

In the overseas market, the Group is engaged in overseas private equity fund business mainly through its indirectly wholly-owned subsidiary GF Investments (Hong Kong) and institutions thereunder, and has completed investment mainly in fields of high-end manufacturing, TMT and biomedical. Several investment projects have exited by way of mergers and acquisitions or been listed on the stock exchanges in Hong Kong, the United States and other regions.

III. ANALYSIS ON FINANCIAL STATEMENTS

(1) Analysis on Consolidated Statement of Profit or Loss

1. Revenue composition

Unit: RMB'000

Item	2021	2020	Amount of increase/decrease	Percentage of increase/decrease
Commission and fee income	19,141,175	14,452,010	4,689,165	32.45%
Interest income	13,659,072	11,698,181	1,960,891	16.76%
Net investment gains	6,060,183	8,262,037	-2,201,854	-26.65%
Other income and gains	3,054,323	1,570,990	1,483,333	94.42%
Total revenue and other income	<u>41,914,753</u>	<u>35,983,218</u>	<u>5,931,535</u>	<u>16.48%</u>

In 2021, total revenue and other income of the Group was RMB41,915 million, representing an increase of 16.48% as compared with RMB35,983 million for 2020.

Commission and fee income

Unit: RMB'000

Item	2021	2020	Amount of increase/decrease	Percentage of increase/decrease
Securities brokerage business commission and fee income	7,724,171	6,460,467	1,263,704	19.56%
Asset management and fund management fee income	9,945,693	6,598,048	3,347,645	50.74%
Underwriting and sponsorship fee income	381,207	557,551	-176,344	-31.63%
Futures brokerage business commission and fee income	580,895	418,307	162,588	38.87%
Consultancy and financial advisory fee income	180,437	273,897	-93,460	-34.12%
Others	328,772	143,740	185,032	128.73%
Total commission and fee income	19,141,175	14,452,010	4,689,165	32.45%

The change in total revenue and other income was reflected in the commission and fee income of RMB19,141 million in 2021 which has increased by RMB4,689 million or 32.45% as compared with 2020, mainly due to (1) increased trading volume of stock and fund by our brokerage clients which resulted in an increase in securities brokerage business commission and fee income of RMB1,264 million in 2021 over 2020; and (2) the increase in the size of fund management business which resulted in an increase in asset management and fund management fee income of RMB3,348 million in 2021 over 2020.


Interest income

Item	Unit: RMB'000			
	2021	2020	Amount of increase/decrease	Percentage of increase/decrease
Margin financing and securities lending	6,351,931	4,852,447	1,499,484	30.90%
Debt instruments at fair value through other comprehensive income	3,424,860	3,242,108	182,752	5.64%
Deposits with exchanges and financial institutions	2,959,565	2,473,596	485,969	19.65%
Financial assets held under resale agreements	807,769	827,638	-19,869	-2.40%
Debt instruments at amortized cost	28,897	65,251	-36,354	-55.71%
Others	86,050	237,141	-151,091	-63.71%
Total interest income	13,659,072	11,698,181	1,960,891	16.76%

The change in total revenue and other income was reflected in the interest income of RMB13,659 million in 2021 which has increased by RMB1,961 million or 16.76% as compared with 2020, mainly attributable to an increase in the interest income from margin financing and securities lending business of RMB1,499 million in 2021 over 2020.

NET INVESTMENT GAINS

Unit: RMB'000

Item	2021	2020	Amount of increase/decrease	Percentage of increase/decrease
Net realized gains from disposal of financial instruments at fair value through other comprehensive income	289,025	230,824	58,201	25.21%
Net realized gains from disposal of financial instruments at fair value through profit or loss	1,560,239	3,846,207	-2,285,968	-59.43%
Dividend income and interest income from financial instruments at fair value through profit or loss	2,370,486	2,247,440	123,046	5.47%
Dividend income from financial instruments at fair value through other comprehensive income	646,736	8,662	638,074	7,366.36%
Net realized gains from derivatives	468,671	-191,830	660,501	-344.32%
Unrealized fair value changes of financial instruments at fair value through profit or loss	725,026	2,120,734	-1,395,708	-65.81%
Total net investment gains	6,060,183	8,262,037	-2,201,854	-26.65%

The change in total revenue and other income was reflected in the net investment gains in 2021 of RMB6,060 million, representing a decrease of RMB2,202 million or 26.65% as compared with 2020, mainly attributable to the decrease in net realized gains from disposal of financial instruments and the decrease in unrealized fair value changes of financial instruments at fair value through profit or loss.



2. Expenses composition

Item	Unit: RMB'000			
	2021	2020	Amount of increase/decrease	Percentage of increase/decrease
Depreciation and amortization	759,598	786,744	-27,146	-3.45%
Staff costs	10,930,686	9,029,829	1,900,857	21.05%
Commission and fee expenses	356,602	337,561	19,041	5.64%
Interest expenses	8,728,151	7,346,362	1,381,789	18.81%
Other operating expenses	6,619,398	4,891,055	1,728,343	35.34%
Credit loss expense	980,923	853,695	127,228	14.90%
Impairment losses	3,347	1,898	1,449	76.34%
Total expenses	28,378,705	23,247,144	5,131,561	22.07%

In 2021, total expenses of the Group were RMB28,379 million, representing an increase of 22.07% as compared with RMB23,247 million in 2020. The change in total expenses was mainly reflected in (1) the increase in other operating expenses of RMB1,728 million, primarily attributable to the increase in distribution expenses of the fund and asset management businesses; (2) the increase in staff costs of RMB1,901 million in 2021 over 2020, primarily attributable to the increase in the provision on salaries, bonuses and allowances for the year; and (3) the increase in interest expenses of RMB1,382 million in 2021 compared with 2020, primarily attributable to the increase of interest expenses on bonds and financial assets sold under repurchase agreements.

In 2021, the Group realized net profit attributable to owners of the Company of RMB10,854 million, representing a year-on-year increase of 8.13%; basic earnings per share were RMB1.42, representing a year-on-year increase of 7.58%; return on weighted average net assets was 10.67%, representing a year-on-year increase of 0.07 percentage point.

(2) Analysis on Consolidated Statement of Financial Position

Unit: RMB'000

	December 31, 2021	Composition	December 31, 2020	Composition	Amount of increase /decrease	Percentage of increase/ decrease
Non-current assets	26,561,595	4.96%	34,975,939	7.65%	-8,414,344	-24.06%
Of which: Equity instruments at fair value through other comprehensive income	872,792	0.16%	11,625,078	2.54%	-10,752,286	-92.49%
Investments in associates	5,946,763	1.11%	4,930,337	1.08%	1,016,426	20.62%
Property and equipment	3,080,732	0.57%	3,164,197	0.69%	-83,465	-2.64%
Financial assets held under resale agreements	1,411,423	0.26%	1,858,547	0.41%	-447,124	-24.06%
Investment in joint ventures	2,309,857	0.43%	2,311,812	0.51%	-1,955	-0.08%
Financial assets at fair value through profit or loss	8,036,844	1.50%	6,617,326	1.45%	1,419,518	21.45%
Debt instruments at amortized cost	58,779	0.01%	116,610	0.03%	-57,831	-49.59%
Current assets	509,293,729	95.04%	422,487,747	92.35%	86,805,982	20.55%
Of which: Bank balances	119,312,820	22.27%	102,766,204	22.46%	16,546,616	16.10%
Advances to customers	97,230,768	18.14%	86,152,816	18.83%	11,077,952	12.86%
Financial assets at fair value through profit or loss	116,427,568	21.73%	61,080,068	13.35%	55,347,500	90.61%
Debt instruments at fair value through other comprehensive income	110,475,096	20.62%	120,182,381	26.27%	-9,707,285	-8.08%
Clearing settlement funds	27,694,381	5.17%	20,515,405	4.48%	7,178,976	34.99%
Financial assets held under resale agreements	18,580,809	3.47%	14,935,302	3.26%	3,645,507	24.41%
Deposits with exchanges and non-bank financial institutions	12,495,113	2.33%	11,045,546	2.41%	1,449,567	13.12%
Debt instruments at amortized cost	45,909	0.01%	345,705	0.08%	-299,796	-86.72%
Total assets	535,855,324	100.00%	457,463,686	100.00%	78,391,638	17.14%



	December 31, 2021	Composition	December 31, 2020	Composition	Amount of increase /decrease	Percentage of increase/ decrease
Current liabilities	341,863,046	80.43%	282,105,575	79.42%	59,757,471	21.18%
Of which: Accounts payable to brokerage clients	126,731,097	29.82%	102,941,105	28.98%	23,789,992	23.11%
Financial assets sold under repurchase agreements	81,230,200	19.11%	94,611,621	26.64%	-13,381,421	-14.14%
Short-term financing payables	27,876,760	6.56%	35,008,179	9.86%	-7,131,419	-20.37%
Other accounts payable, other payables and accruals	12,592,000	2.96%	5,655,933	1.59%	6,936,067	122.63%
Due to banks and other financial institutions	11,617,488	2.73%	6,121,286	1.72%	5,496,202	89.79%
Bonds payable	62,302,836	14.66%	22,009,246	6.20%	40,293,590	183.08%
Net current assets	167,430,683		140,382,172		27,048,511	19.27%
Non-current liabilities	83,190,935	19.57%	73,084,525	20.58%	10,106,410	13.83%
Of which: Bonds payable	76,380,096	17.97%	67,740,617	19.07%	8,639,479	12.75%
Long-term loans	63,827	0.02%	365,129	0.10%	-301,302	-82.52%
Total liabilities	425,053,981	100.00%	355,190,100	100.00%	69,863,881	19.67%
Total equity	110,801,343		102,273,586		8,527,757	8.34%

As of December 31, 2021, total assets of the Group were RMB535,855 million, representing an increase of RMB78,392 million or 17.14% over the end of 2020; total liabilities were RMB425,054 million, representing an increase of RMB69,864 million or 19.67% over the end of 2020. In the Group's assets, the proportion of bank balances and clearing settlement funds to total assets was 27.44%, the proportion of financial assets at fair value through profit or loss and equity instruments and debt instruments at fair value through other comprehensive income to total assets was 44.01%, the proportion of advances to customers to total assets was 18.14%, and the proportion of financial assets held under resale agreements to total assets was 3.73%.

As of December 31, 2021, non-current assets were RMB26,562 million, representing a decrease of 24.06% over the end of 2020, which was mainly attributable to a decrease in equity instruments at fair value through other comprehensive income; current assets were RMB509,294 million, representing an increase of 20.55% over the end of 2020, which was mainly attributable to an increase in bank balances, financial assets at fair value through profit or loss and advances to customers; current liabilities were RMB341,863 million, representing an increase of 21.18% over the end of 2020, which was mainly attributable to an increase in accounts payable to brokerage clients and bonds payable due within one year; and non-current liabilities were RMB83,191 million, representing an increase of 13.83% over the end of 2020, which was mainly attributable to the issuance of new bonds.

The Group's equity attributable to owners of the Company as of December 31, 2021 were RMB106,625 million, representing an increase of RMB8,642 million or 8.62% over the end of 2020. Without considering the affecting factor of accounts payable to brokerage clients, the Group's gearing ratio as of December 31, 2021 was 72.92%, representing an increase of 1.77 percentage points as compared with the gearing ratio of 71.15% at the end of 2020, while the Group's assets and liabilities structure remained relatively stable.

Borrowings and debt financing

As of December 31, 2021, total borrowings and bonds financing of the Group amounted to RMB167,815 million. The following table sets forth details of the Group's borrowings and bonds financing:

	December 31, 2021	December 31, 2020
Short-term borrowings	916,545	2,552,786
Short-term financing payables	27,876,760	35,008,179
Bonds payable	138,682,932	89,749,863
Long-term loans	338,675	2,183,069
Total	<u>167,814,912</u>	<u>129,493,897</u>

Unit: RMB'000

For details of the interest rates and maturities of short-term borrowings, short-term financing payables, bonds payable and long-term loans, please refer to Notes 43, 44, 53 and 54 to the Financial Statements attached below.

Apart from borrowings and bonds financing instruments, the Company also raised funds through inter-bank lending, brokers lending as well as on-market and OTC repurchase, with balance due to banks and other financial institutions and financial assets sold under repurchase agreements amounting to RMB11,617 million and RMB81,230 million, respectively, at the end of the Reporting Period.



The aforesaid debts totaled RMB260,663 million, of which, debts with financing terms less than one year (inclusive) were RMB121,641 million and debts with financing terms more than one year were RMB139,022 million, representing 46.67% and 53.33% of the aforesaid total debts, respectively.

Save as disclosed in this report, as of December 31, 2021, the Group did not have any outstanding mortgages, pledges, debentures, loan capital, bank overdrafts, borrowings or other similar debts or liabilities under acceptances or letter of credits, any guarantees or other material contingent liabilities.

(3) Analysis on the Consolidated Statement of Cash Flow

As of December 31, 2021, cash and cash equivalents of the Group amounted to RMB21,281 million, representing an increase of 6.90% as compared with RMB19,907 million as at the end of 2020. Of which, net cash used in operating activities in 2021 was RMB50,836 million, representing an increase of 2,338.11% as compared with RMB2,085 million in 2020, and the change was mainly due to the increase of net cash outflow from financial assets at fair value through profit or loss, partially offset by the decrease of net cash outflow from advances to customers; net cash from investing activities in 2021 was RMB21,240 million, as compared with net cash used in investing activities of RMB19,450 million in 2020, and the change was mainly due to the increase of net cash inflow from disposal of financial instruments at fair value through other comprehensive income; and net cash from financing activities in 2021 was RMB31,019 million, representing an increase of 53.13% as compared with RMB20,256 million in 2020, and the change was mainly due to the increase of net cash inflow from short-term financing payables and bonds payable.

(4) Explanation of Changes in the Consolidation Scope of Financial Statements

1. *Subsidiaries newly included in the scope of consolidation during the current year*

GFHK established a subsidiary, GF Financial Holdings BVI Ltd., during the year, therefore it was included in the scope of consolidation.

2. *Subsidiaries excluded from the scope of consolidation during the current year*

GF Hixin Industry Investment Management Co., Ltd. (廣發合信產業投資管理有限公司) was disposed during the year, therefore it was not included in the scope for consolidation as at the end of the year.

GF Bright Investment Limited, GF China Advantage Fund L.P. (廣發中國優勢基金(有限合夥)), GF Energy Investment Limited, GF Wise Limited and GF Partners Ltd.(廣發合夥有限公司), subsidiaries of GFHK, were deregistered during the year, therefore they were not included in the scope for consolidation as at the end of the year.

Shenzhen Qianhai GF Xinde Zhongshan Public Utilities M&A Fund Management Co., Ltd. (深圳前海廣發信德中山公用併購基金管理有限公司) and GF Xinde Healthcare Capital Management Co., Ltd. (廣發信德醫療資本管理有限公司), subsidiaries of GF Xinde, were deregistered during the year, and Shenzhen Dahe Xinde Corporate Management Co., Ltd. (深圳市大河信德企業管理有限公司), Shanghai GF Yongxu Investment Management Partnership L.P. (上海廣發永胥投資管理合夥企業(有限合夥)), Shanghai GF Yongxu Medicine Investment Management Center L.P. (上海廣發永胥醫療投資管理中心(有限合夥)) and GF Xinde Zhisheng Investment Management Co., Ltd. (廣發信德智勝投資管理有限公司), subsidiaries of GF Xinde, were disposed during the year, therefore they were not included in the scope for consolidation as at the end of the year.

GF International Asset Management (UK) Company Limited, a subsidiary of GF Fund, was deregistered during the year, therefore it was not included in the scope for consolidation as at the end of the year.

- 3. *During the year, 17 structured entities were newly included in the scope of consolidation, and 4 structured entities were excluded from the scope of consolidation.***

(5) Change in Principal Accounting Policies and Accounting Estimates

The changes in the Company's principal accounting policies and accounting estimates during the Reporting Period are set forth in details in the note "2.3 Changes in Accounting policies and disclosures" of the consolidated financial statements; there were no significant accounting errors requiring rectification occurred in the Company.



(6) Restricted Asset Rights as of the End of the Reporting Period

	December 31, 2021 RMB	December 31, 2020 RMB
Financial assets at fair value through profit or loss pledged for pledge-style repo business	7,574,526,157.38	7,347,938,043.77
Of which: Financial assets at fair value through profit or loss pledged for bond pledged quoted-repo business	330,517,808.37	400,280,702.10
Financial assets at fair value through other comprehensive income (FVTOCI) pledged for pledge-style repo business	55,256,960,452.88	69,085,794,222.98
Of which: Financial assets at FVTOCI pledged for bond pledged quoted-repo business	–	24,212,776.60
Debt instruments at amortized cost pledged for pledge-style repo business	–	153,037,830.68
Financial assets held under resale agreements pledged for pledge-style repo business	–	363,002,280.00
Financial assets at fair value through profit or loss transferred for buyout repo business	1,201,816,898.26	2,673,861,847.20
Financial assets at FVTOCI transferred for buyout repo business	2,658,069,337.98	4,195,327,538.92
Financial assets held under resale agreements transferred for buyout repo business	783,081,189.00	194,836,695.81
Financial assets at fair value through profit or loss transferred for margin financing and securities lending business	664,146,584.02	377,158,002.68
Financial assets at FVTOCI transferred for margin financing and securities lending business	–	83,997.00
Financial assets at FVTOCI pledged for refinancing business	2,166,221,998.92	510,771,526.92
Financial assets at fair value through profit or loss pledged for bond lending business	609,633,091.56	1,129,361,849.30
Financial assets at FVTOCI pledged for bond lending business	10,577,069,526.35	8,606,106,017.98
Financial assets at fair value through profit or loss transferred for bond lending business	2,441,411.57	–
Rights and interests in financial leasing and sale and leaseback receivables restricted for bank borrowings	282,440,261.70	1,624,346,462.04
Financial assets at fair value through profit or loss pledged for due to banks and other financial institutions business	1,999,997,212.58	2,299,535,478.35
Financial assets at FVTOCI pledged for due to banks and other financial institutions business	–	196,965,558.82
Financial assets held under resale agreements pledged for due to banks and other financial institutions business	54,311,958.77	–
Total	83,830,716,080.97	98,758,127,352.45

IV. ANALYSIS ON FINANCING CHANNELS AND SHORT-TERM AND LONG-TERM LIABILITY STRUCTURE

(1) Financing channels of the Company

Financing instruments of the Company include equity financing instruments and debt financing instruments. The debt financing instruments is divided into short-term and mid-and-long term instruments. The short-term debt financing instruments include credit lending in the interbank market, and bond repurchases, margin refinancing of securities and financial companies, short-term financing bonds, short-term corporate bonds and income certificates and other types of financing in interbank and exchange markets. The mid-and-long term debt financing instruments include public and non-public corporate bonds, subordinated bonds (including perpetual subordinated bonds) and financial bonds.

In 2021, the Company raised funds by means of various financing instruments, including but not limited to credit lending, bond repurchase, issuance of seven tranches of public corporate bonds, four tranches of non-public corporate bonds, one tranche of non-public perpetual subordinated bonds and nine tranches of short-term financing bonds.

(2) Liability structure of the Company

At the end of the Reporting Period, the ratio of net assets to liabilities of the Company was 33.16% and the ratio of net capital to liabilities of the Company was 23.88%.

The Company had no outstanding debts that were due, with good operating conditions, strong profitability, abundant cash flow and relatively low financial risks. For details of liability structure, please refer to “(2) Analysis on Consolidated Statement of Financial Position – Borrowings and Debt Financing” in “III. Analysis on Financial Statements” in this section.

(3) Liquidity management measures and policies

The Company has been paying attention to liquidity safety and managing funds based on the principles of liquidity, safety, and benefits. The Company realizes reasonable matching between the source of funds and the structure and term of the application of funds through forward-looking and flexible financing arrangement. The Company defines the size limit and risk limit for each of the business lines and carries out dynamic monitoring on the net capital and risk control indicators to ensure that all indicators including liquidity risk regulation indicator continue to meet the regulatory requirements. The Company performs well in all business lines with good assets quality, which fundamentally guarantees the liquidity of assets. The Company has also established a liquidity reserve with sufficient high-liquidity assets to meet the Company's emergency demand for liquidity.



(4) Analysis on financing capacity

The Company operates its business healthily and has good creditworthiness. In recent years, the Company has constantly increased the number of financing channels and counterparties with sufficient liquidity resources available to use. The Company has strong financing capability as it maintains good cooperative relationship with multiple financial institutions, and the financing counterparties have large credit scale. As an A+H dual-listed securities company, the Company has smooth equity financing and debt financing channels within the PRC and abroad and is able to raise money from domestic and global markets.

(5) Contingencies and their influence

During the Reporting Period, the Company continued to provide net capital guarantee undertakings to its wholly-owned subsidiary, GF Asset Management, to provide guarantee for overseas loans of its indirectly wholly-owned subsidiary, GF Financial Markets (UK) Limited. For details, please refer to “XIII. Major Contracts and Their Performance – 2. Material Guarantees” of Section 8 in this report. Save as disclosed in this report, the Company has no contingencies such as the provision of assets guarantee, mortgage, pledge to any related party or third party, nor any financial commitments.

V. INVESTMENT CONDITIONS

1. General

Investment in the Reporting Period (RMB)	Investment in the same period of last year (RMB)	Change
3,228,193,886.13	–	–

Note: The investment during the Reporting Period is an additional investment of the Company in its subsidiaries.

2. Material equity investments made during the Reporting Period

N/A

3. Material ongoing non-equity investments during the Reporting Period

N/A

MANAGEMENT DISCUSSION AND ANALYSIS

4. Financial asset investment

(1) Security investment

Unit: RMB'0,000

Securities type	Securities code	Securities short name	Investment cost	Accounting Measurement mode	Book value at the beginning of the period	Profit and loss from the fair value change of the period	Accumulative fair value change accounted into equity	Purchase amount of the period	Sales amount of the period	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Fund source
Fund	003281	Guangfa Huoqibao B	670,872.81	Measured at fair value	654,114.62	-	-	1,459,742.30	1,465,724.10	22,826.61	670,959.43	Held for trading	Self-owned
Others	87648W	Collective Asset Management Plan No. 2	410,000.00	Same as above	-	-72,422.28	-	410,000.00	-	-72,422.28	337,577.72	Held for trading	Self-owned
Fund	270014	GF Money Market Fund B	330,637.11	Same as above	15,498.80	-	-	843,090.01	534,324.22	6,381.32	330,645.91	Held for trading	Self-owned
Bond	210012	21 Interest-bearing Treasury Bond 12	313,739.14	Same as above	-	18.98	1,543.34	342,985.81	28,400.47	1,730.71	317,659.39	Held for trading/ other debt	Self-owned
Fund	510050	ChinaAMC SSE 50ETF	286,466.34	Same as above	31,053.18	-2,711.64	-	2,928,549.52	2,662,679.53	-12,396.70	284,526.47	Held for trading	Self-owned
Bond	112110493	21 Industrial Bank CD493	243,664.75	Same as above	-	-112.00	-	243,664.75	-	287.25	243,952.00	Held for trading	Self-owned



Securities type	Securities code	Securities short name	Investment cost	Accounting Measurement mode	Book value at the beginning of the period	Profit and loss from the fair value change of the period	Accumulative fair value change accounted into equity	Purchase amount of the period	Sales amount of the period	Profit and loss in the Reporting Period	Book value at the end of the period	Accounting subject	Fund source
Fund	002183	GF Tiantianhong B	202,801.43	Same as above	233,471.25	-	-	429,388.82	485,985.05	6,002.09	202,877.11	Held for trading	Self-owned
Fund	004137	Bosera Hehui B	200,849.66	Same as above	77,176.37	-	-	129,777.10	9,852.24	4,190.37	201,291.60	Held for trading	Self-owned
Bond	210008	21 Interest-bearing Treasury Bond 08	188,113.04	Same as above	-	-	442.88	208,030.00	18,977.00	2,038.49	191,534.37	Other debt investments	Self-owned
Fund	000621	E Fund Cash Return Fund B	186,349.25	Same as above	41,947.54	-	-	632,739.03	485,153.70	6,829.20	186,362.07	Held for trading	Self-owned
Other securities investments held at the end of the period			19,970,841.13	-	18,988,318.07	115,965.44	122,655.14	N/A	N/A	954,162.77	20,681,382.12	-	-
Total			23,004,364.66	-	20,021,579.83	40,738.50	124,641.36	N/A	N/A	919,629.83	23,648,988.19	-	-

(2) Derivative investment conditions

N/A

5. Use of proceeds

There was no use of proceeds of A Shares for the Company during the Reporting Period.

The use of proceeds from the issue of H Shares of the Company is set out below:

The Company issued H Shares which were listed on the Main Board of the Hong Kong Stock Exchange on April 10, 2015 after being approved by the CSRC on March 5, 2015 by issuing the Reply for Approving GF Securities Co., Ltd. to Issue Overseas Listed Foreign Shares (Zheng Jian Xu Ke [2015] No. 347), and being approved at the 8th meeting of the Board of Directors and the second extraordinary general meeting in 2014 of the Company. A total of 1,479,822,800 H Shares were issued at the price of HKD18.85 per share through both public offering and international placement. Subsequently, the Company issued 221,973,400 additional H Shares at the price of HKD18.85 per share on April 13, 2015 because of the exercise of the over-allotment option. This time, the Company issued a total of 1,701,796,200 H Shares and raised a total of HKD32.079 billion. The net amount was RMB25.059 billion after settlement of exchange and deduction of the issuance cost.

According to the H Share prospectus of the Company, about 50% of the net proceeds raised from the issuance of H Shares would be used for the wealth management business, about 20% for the investment management business, investment banking business and transaction and institution business, and about 30% for the international business. The above raised net proceeds would be used for replenishing the working capital and investing in the assets with good liquidity in short term to preserve or increase the value, when they were temporarily not required for the above purposes.

As of December 31, 2021, RMB12.504 billion out of the proceeds raised from the issuance of H Shares was used for the wealth management business to mainly develop margin financing and securities lending business and build a strategic Internet financial platform and wealth management platform; RMB4.986 billion was used for the investment management business, investment banking business and transaction and institution business to mainly increase the asset size under the investment management, increase input into the seed funds, innovate and develop investment management products, and participate in various financial products markets as a market maker and provide liquidity support; RMB3.443 billion was used for the international business to mainly increase input into the investment management, transaction and institution businesses in Hong Kong; the remaining RMB4.126 billion was temporarily used to replenish the working capital and develop short-term investment business. Upon approval from relevant regulatory authorities, the Company is expected to invest the remaining proceeds of H share in international business as planned before December 31, 2023 in accordance with the relevant requirements of the H Share prospectus. These estimates are based on information currently available to the Company and are subject to adjustment based on actual developments of the Company.

VI. SALE OF MAJOR ASSETS AND EQUITY

1. Sale of major assets

No major assets were sold during the Reporting Period.

2. Sale of major equity

N/A

VII. ANALYSIS ON PRINCIPAL SUBSIDIARIES AND PARTICIPATING STOCK COMPANIES
The status of principal subsidiaries and participating stock companies

Company name	Company type	Main business	Registered capital (RMB)	Total assets (RMB)	Net assets (RMB)	Net profit (RMB)
GF Futures	Subsidiary	Commodity futures brokerage, financial futures brokerage, futures investment consultancy, asset management and fund sale.	RMB1,900,000,000	34,796,396,192.93	3,425,976,590.76	401,648,295.59
GF Xinde	Subsidiary	Equity investment; providing financial advisory services on equity investment to clients and other businesses approved by CSRC.	RMB2,800,000,000	5,553,407,731.18	5,093,963,622.89	863,591,495.61
GFHK	Subsidiary	Investment holding, undertaking investment banking, sale and transactions, asset management, equity investment and other businesses approved by the SFC through professional subsidiaries.	HKD5,600,000,000	20,379,872,325.67	4,455,035,162.42	17,622,970.84
GF Qianhe	Subsidiary	Project investment; investment management.	RMB6,103,500,000	10,719,946,973.57	9,865,399,494.53	1,231,970,130.23
GF Asset Management	Subsidiary	Securities asset management business.	RMB1,000,000,000	8,395,694,948.72	6,305,743,608.54	200,087,658.71
GFLL	Subsidiary	Leasing business (foreign-invested enterprises shall operate with approvals or permits); financial leasing services (limit to the operation of foreign-invested enterprises); concurrently being engaged in commercial factoring related to the main business (only operated by financial leasing enterprises); purchase of leased property from home and abroad (foreign-invested enterprises shall operate with approvals or permits); residual value disposal and maintenance of leased property (foreign-invested enterprises shall operate with approvals or permits); leasing transaction consultation and guarantee (foreign-invested enterprises shall operate with approvals or permits); medical equipment leasing services; financial leasing of class III medical devices (limit to the operation of foreign-invested enterprises).	RMB800,000,000	1,141,158,064.85	671,539,880.71	-48,598,615.94
GF Fund	Subsidiary	Fund raising, fund sale, asset management, other businesses approved by the CSRC.	RMB140,978,000	14,943,851,482.51	9,140,316,117.49	2,607,338,594.20
E Fund	Participating stock company	Publicly offered securities investment fund management, fund sale, asset management for specific customers.	RMB132,442,000	23,069,287,487.41	12,495,289,062.93	4,534,593,367.90

Conditions of the subsidiaries acquired or disposed of during the Reporting Period

For details, please refer to “(4) Explanation of Changes in the Consolidation Scope of Financial Statements” in “III. Analysis on Financial Statements” of this section.

Explanation on the status of principal subsidiaries and participating stock companies

GF Fund recorded net profit of RMB2,607 million, representing a year-on-year increase of 42.95%, which was mainly due to the increase in fund management fee income. GF Qianhe recorded net profit of RMB1,232 million, representing a year-on-year increase of 118.64%, which was mainly due to the increase in gains arising from financial instruments held for trading. GF Asset Management recorded net profit of RMB200 million, representing a year-on-year decrease of 78.35%, which was mainly due to the decrease in asset management fee income and the increase in losses arising from fair value changes.

VIII. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

The consolidated structured entities of the Group are primarily those structured entities of which the Group acts as a manager or investment advisor and in which the Group invests. The variable returns enjoyed by the Group through participating in the relevant activities of these structured entities have significant impact and the Group is able to impose influence on the amount of variable returns by applying its power over these structured entities. As at December 31, 2021, except for the structured entities in the note “70. Particulars of principal subsidiaries of the Company” to the consolidated financial statements, there were a total of 31 products consolidated into the financial statements of the Group.

As at December 31, 2021, the net assets of the consolidated structured entities were RMB15,735,203,279.40 (as at the beginning of the year: RMB6,898,170,741.54). The book value of the Group’s interests was RMB13,489,482,328.43 (as at the beginning of the year: RMB4,912,258,834.88). The book value of the interests held by various parties outside the Group was RMB2,245,720,950.97 (as at the beginning of the year: RMB1,985,911,906.66).

IX. OUTLOOK OF THE COMPANY

(I) Development trend and competitive landscape of the securities industry

1. *Serving real economy and developing direct financing market will bring a favorable strategic development period for the securities industry*

With the PRC economy entering a new era of high-quality growth, the real economy’s demands for financial services have been experiencing a fundamental change and the development and expansion of the direct financing market will become the key to the supply-side reform of the financial industry. It is emphasized in the report of the 19th National Congress that the reform of the financial system shall be deepened to increase the proportion of direct financing and promote the sound development of the multi-level capital market. The “14th Five-Year Plan” proposes to fully implement the registration-based IPO system, establish a normalized delisting mechanism, increase the proportion of direct financing, promote two-way openness of the financial sector and improve the modern supervision system of the sector, so as to improve the level of transparency and legality of financial regulation. With the successive launch of major initiatives such as the reform of registration-based IPO system on the STAR Market and the ChiNext Market and the establishment of Beijing Stock Exchange, the continuous development and growth of institutional investors and the gradual increase in the inflow of overseas funds, the development potential of China’s capital market is getting stronger and stronger. Under the background of major changes unseen in the current century, the establishment of a new development pattern based on domestic circulation, along with the mutual promotion of domestic and international dual circulation, is accelerating. The financial industry is required to adhere to the direction of serving the real economy, and vigorously increase the proportion of direct financing. The capital market plays a pivotal role in promoting the high-level circulation of technology, capital and the real economy, and can enhance the level of financial technology. In the context of this policy, the securities industry will shoulder greater responsibilities and missions and usher in a favorable period of strategic development.



2. *The two-way openness of the capital market will bring new opportunities for the development of the securities industry*

The “14th Five-Year Plan” proposes to open up more sectors of the economy in a more thorough fashion and to promote international cooperation by relying on the advantages of big domestic market to achieve mutual benefit and win-win results. This means that during the “14th Five-Year Plan” period, the implementation of high-level two-way openness is not only an inevitable requirement for building a new pattern of economic development in China, but also a new opportunity to expand the high-level two-way openness of the capital market. In recent years, the two-way openness of China’s capital market has continued to deepen. For example, MSCI has expanded its weightiness on A shares; FTSE Russell has announced the inclusion of A shares in its Global Equity Index Series; QFII and RQFII quota limit has been cancelled; Chinese government bonds have been officially included in the J.P. Morgan Global Emerging Market Government Bond Index; the restriction on the proportion of foreign investment of securities companies has been lifted and Shanghai-Hongkong ETF Connect (滬港 ETF 互通), Bond Connect (債券通), Cross-Border Wealth Management Connect (跨境理財通), Shanghai-London Stock Connect (滬倫通) has experienced an upgrade again. Yi Huiman, the Chairman of the CSRC, said that the opening up of China’s capital market has not slowed down due to the epidemic, but further accelerated. In the future, we will continue to support stock exchanges to strengthen cooperation with overseas markets in various forms to further enhance their international service capacity. Therefore, under the trend of two-way openness of the capital market, the internationalization level of the securities industry will continue to improve. The improvement of business capability and the development of overseas markets will provide new opportunities for the development of the securities industry.

3. *Residential wealth management entering into the golden development period will bring new opportunities for the development of the securities industry*

In recent years, on the basis of the increasing wealth of residents and the increasing demand for wealth management, the regulatory authorities started the top-down top-level design, from the pilot investment business to the expansion of fund management institutions to the enrichment of investment targets, promoting China’s wealth management into a golden period of development. With the on-going implementation of various policies such as housing for accommodation rather than speculation and new regulation of fund management, the way of storing the value of residents’ wealth is changing from investment in real estate and capital preservation to standardized and net worth financial assets. In 2021, the turnover of market stock base reached a record high. The development of great wealth management track provides new opportunities for the development of securities companies’ asset management, commission sale of financial products, buyer investment public fund management and other businesses. Securities companies will make full use of its mission to improve wealth management and asset management at the end of residents’ wealth, to serve common prosperity and realize the preservation and appreciation of residents’ assets.

4. Business institutionalization and concentration trend is becoming more obvious

In recent years, the shareholding ratio of institutional investors in the free float market capitalization has continued to increase, among which, foreign investments, public funds and private equity funds have become important sources of incremental funds in the market. In the future, as the concept of value investment continues to deepen, professional institutional investors such as public funds, private equity funds, wealth management subsidiaries of banks, pension funds and overseas funds will continue to increase their allocation. The investor structure will continue to develop towards an institutionalized trend, and the investment demand will also become more complex and diversified. It provides a huge potential for the development of securities companies' businesses, such as derivative, transaction, custody, operation outsourcing, investment and research, wealth management and capital intermediary. The business institutionalization trend will become more obvious. At the same time, under the classified regulatory rating system, whitelist system and the circumstance that the percentage of heavy assets is increasing, the competition in the industry will show a concentration trend. The regulatory authorities stated that they will continue to encourage and guide securities companies to replenish capital, enrich service functions, optimize incentive and restraint mechanisms, increase investment in technology and innovation, improve international layout and strengthen compliance risk control, actively promoting the building of leading securities companies and facilitating the sustainable and healthy development of the securities industry. The regulating intention of "supporting the stronger and restricting the weaker" and the competition landscape of "the stronger remains stronger" have become more obvious.

(II) The challenges facing the development of the securities industry

1. Due to severe business homogenization of securities firms, continuous decline in the charge level of traditional businesses and the rapid development of fintech, more requirements are imposed on securities firms to provide comprehensive service and achieve business transformation and upgrading

At present, the agency services for sale and purchase of securities, investment banking business and asset management business of securities firms still have a very high degree of homogeneity and they do not have sufficient innovative service capacity for customers, resulting in a declining trend on the charge level of securities firms. Under the impact of Internet account opening and the policy of one client with multiple accounts, the industry commission rate is still showing a slow downward trend. In the process of transformation from agency service to wealth management service, the comprehensive capability of securities firms, including their products, investing advisory and platforms, shall be further enhanced. In the underwriting business, especially the bond underwriting business, many securities firms adopt low-price competitive strategy, which brings pressure on the commission rate of underwriting. With the implementation of the registration-based IPO system by step, investing banking business raises more requirements for the comprehensive service capability, capital capability, pricing capability, research capability and institution sales capability of securities firms. In recent years, with the rapid development of fintech, the brokerage services, wealth management, asset management and other business sectors of securities companies have suffered certain impacts from various new types of financial services. Securities companies shall keep pace with the times, and continue to cultivate in the field of fintech and accelerate business transformation and upgrading, so as to cope with the impact from technological innovation on the securities industry and adapt to new competition landscape.



2. *The industry profits still rely mainly on the domestic market, remaining at a low degree of internationalization*

Although with many years of international development and layout, domestic securities companies' source of income relies mostly on local business, and the revenue changes arising therefrom are highly related to the secondary market activities in China, so they are low in the international degree. On one hand, the impact on the performance will be much more apparent once the domestic market experiences a substantial adjustment, and the fluctuations in performance cannot be balanced by the income from the international market. On the other hand, under the effect of overseas regulatory environment, capital market rules and culture differences, securities companies also face challenge when tapping into the overseas developed market.

3. *The opening up of securities industry will bring about a new round of competition*

In recent years, the opening of China's financial industry has made a breakthrough. We have basically put in place a management system of "pre-establishment national treatment + a negative list" for foreign investment. Restrictions on foreign ownership in banking, securities, fund management, futures and life insurance have been completely lifted, and the scope of business has been significantly expanded. Up to now, several sino-foreign jointly owned securities firms have been approved by the CSRC to increase the shareholding of foreign investment to a percentage of more than 51%. Large international banks are entering China's financial market by establishing jointly owned securities firms. Despite China's capital markets and customer demand are gradually developing towards maturity and internationalization, most of the securities firms in China are still not well prepared for these changes in terms of risk management, IT system construction, management structure serving institutional clients and business internationalization. The breakthrough points for foreign-invested securities firms entering the domestic market to carry out business are wealth management business, one-stop service for institutional clients and international service capability for corporate clients, which will bring huge pressure on the wealth management business for high-net-worth clients, institutional client service and cross-board business for corporate customers of domestic securities firms. As the traditional business is gradually shrinking and domestic securities firms have been seeking transformation and upgrading, the entering of foreign-controlled brokerages will bring about greater competitive pressure in the industry.

4. *The competition environment of securities industry will be changed by the trend of integrated operation of financial institutions*

At present, there is an increasingly manifest trend of clients' need for integrated financial service. Commercial banks, fund management companies, trust companies, insurance companies and other financial institutions, with their advantages in customer resources, network channels and capital strength, also march into business sectors traditionally conducted by securities companies, such as asset management, wealth management services and investment banks, aiming to provide their customers with integrated, diversified and comprehensive financial services. Securities companies are now facing increasingly competitive challenges from other financial industries and financial institutions.

5. *The level of fintech in the securities industry remains to be further improved*

Since the People's Bank of China issued the "FinTech Development Plan (2019-2021)", the digitalization of the financial industry has steadily advanced, and the emphasis on information technology has continued to increase. Fintech has gradually become the invisible main track for securities companies to compete. Although fintech is widely used in standardized businesses such as broker dealer operations in the securities industry, it has not yet been applied on a large scale in operations that rely on human resources and experience, such as operational decision-making, compliance, and investment banking. According to a survey by the Securities Association of China, among several cutting-edge fintech technologies, artificial intelligence and big data applications are the most widely used fintech technologies by securities companies. The application of blockchain in the securities industry is still in the exploratory stage subject to further breakthroughs. With the rapid development of fintech, various new forms of financial services have brought a certain impact on the brokerage, wealth management, asset management and other business fields of securities companies. Securities companies shall keep pace with the times, continuously deepen the fintech field and accelerate the business transformation and upgrading, in order to cope with the impact of technological innovation on the securities industry and adapt to the new competitive landscape.

(III) The Company's development strategy

With its core values of "inquisitiveness, integrity, client focus and teamwork", the Company will strive to "become a modern investment bank with international competitiveness, brand influence and system importance". The Company will adhere to the strategic plan of "customer-centric" throughout, and insight into customer needs based on the collaborative principles and innovative spirit; the Company will focus on the main responsibility and main business, optimize the business structure, strengthen self-innovation, and promote the transformation of development model to high-quality development based on the new stage of development; the Company will comprehensively promote the strategic transformation and upgrading of its four major businesses, including investment banking business, wealth management business, trading and institution business and investment management business.

(IV) Annual business plan in 2022

In 2022, the Company should focus on national strategies, as well as the series deployment of capital market deepening reform driven by registration system reform, the improvement of the matching capacity system construction, and the promotion of the whole chain business capacity and practice quality. In 2022, the focus of the Company is to maintain focus, make positive changes, and strive to create a new situation of high-quality development of the Company. The business plan does not constitute a performance commitment of the Company to investors. Investors are requested to maintain sufficient risk awareness and understand the difference between the business plan and performance commitment.



(V) Fund demand of the development of the Company

In 2021, various services of the Company were carried out in an orderly manner, of which capital intermediary services, such as margin financing and securities lending services, and over-the-counter derivative transactions required sufficient funds. The Company will continue to enhance capital management and improve efficiency of its asset allocation. Meanwhile, the Company will timely seize the market opportunities to raise equity capital or debt capital in various ways based on business development needs so as to optimize its capital structure and meet fund requirement for development by constantly exploring new financing products and methods.

(VI) Risk factors and counter-measures of the Company

1. ***During the Reporting Period, the major risks affecting the Company's business operations included policy risk, liquidity risk, market risk, credit risk, compliance risk, operational risk, information technology risk, reputation risk etc. and were mainly reflected in the following aspects:***

(1) *Policy risk*

Policy risk refers to the adverse effect on the operation of securities companies due to changes in national macro-control measures, law and regulations, regulatory policies and trading rules relating to the securities industry. On the one hand, the national macro-control measures can greatly affect the securities market, and the change and adjustment in macro policies, interest rates and exchange rates are closely related to the tendency of the financial markets, which directly affects the operation performance of the securities companies; on the other hand, securities industry is a highly regulated industry and the regulatory policies issued by the regulatory authorities directly relate to the change in the operation performance of the securities companies. In case the Company fails to timely adapt to or even violates the change in the policies and regulations in its daily operations, it may be subject to penalty, suspension or cancellation of business qualification or other administrative penalties from the regulatory authorities, leading to economic loss, damage to reputation of the Company.

(2) *Liquidity risk*

Liquidity risk refers to the risk of our failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay our debts as they fall due, perform other payment obligations and satisfy the capital requirements to carry out our businesses in the ordinary course. Liquidity risks of the Group include but are not limited to: mismatch of asset and liability structures, difficulty in asset realization, operating loss, deferred payment or breach of contract by counterparties, as well as liquidity risks transformed from credit risk, market risk, reputation risk and other categories of risks. As the Company's capital strength increases and the product portfolio is increasingly enriched, the products represent a diversified, complicated and international developing tendency and the risk type and the term structure faced by the asset end becomes increasingly complicated, the Company needs to rationalize the maturity structure of its assets and liabilities and take various measures to ensure the safety of liquidity, such as active management of liquidity reserve, risk control over daily liquidity and emergency response mechanism against liquidity risks.

(3) *Market Risk*

Market risk refers to the risk of loss in the Company's financial assets resulting from adverse changes in the market price (price of equity securities, interest rates, exchange rates or commodity price, etc.). Such risks can be classified into equity price risk, interest rate risk, exchange rate risk and commodity price risk and other risks based on different type of subject assets. The market risks faced by the Group mainly concentrate on equity price risk and interest rate risk, which are mainly reflected in the Company and subsidiaries' proprietary investment in equity securities, proprietary investment in fixed-income securities, transactions of derivatives in exchange-traded and OTC markets and market making on the NEEQ, etc. with their own fund. With further opening of the capital market of China and the progressive implementation of the Company's strategy of internalization, various market risks to be borne by the Company are increasing due to the rapid expansion of its business scope and the cross-border flow of capital. As a result, it becomes more challenging for the Company to manage its market risks.

(4) *Credit risk*

Credit risk refers to the potential losses resulting from the failure of an issuer or counterparty to perform its obligations under a contract, or arising from variations in the market value of debts due to changes in credit ratings or inability to perform contractual obligations. The credit risk faced by the Group at present mainly concentrates on transactions of bond investment, OTC transactions of derivatives, margin financing and securities lending, agreed repurchase business, repurchase business on stock pledge, financial leasing business, margin financing business, repurchase brokerage business on bond pledge as well as other businesses that the Company or its subsidiaries shall bear or have payment commitment. With the promotion of leverage and continuous development of innovative businesses by securities companies, the credit risks to be borne by the Company become more and more complicated and the credit risk exposure increases day by day. In addition, the default rate in the credit market significantly rose and risk events occurred frequently due to the downturn of the prosperity in certain industries, which brought about greater challenges to the credit risk management of the Group in the future.

(5) *Compliance risk*

Compliance risk refers to the risk of legal sanctions, regulatory measures, loss of property or damage to our reputation because of the violation of laws, regulations, industry standards and relative criteria formulated by self-regulatory organizations and standards of behavior suitable for business activities of the securities companies.



(6) *Operational risk*

Operational risk is the risk of direct or indirect loss caused by imperfect or problematic internal procedures, personnel, systems and external events. Each department and business line of securities firms (including front business department and the back office supporting department) face operational risk, characterized by wide coverage and diversity, frequent occurrence but difficult to control, including daily business process flaws with high occurring frequency but relatively low loss, and unexpected events with low frequency of occurrence and significant loss. Meanwhile, as the Group's innovative businesses constantly increase, the business process becomes increasingly complicated. If the Company fails to timely identify the operational risks in each of its business lines and daily operations and to take effective mitigation measures, it may materialize operational risks due to unreasonable setting and ineffective design or implementation of risk control measures.

(7) *Information technology risk*

Securities firms rely on the high-tech represented by information technology, which has greatly enhanced their operational efficiency and core competitiveness. The Company's investment business, asset management business, brokerage business and many other businesses and middle-and back-stage management are highly dependent on the support of information system; information technology has played a key role in promoting the Company's business. In promoting the development of the securities industry, the information technology has also brought a considerable risk. System establishment and operation will be greatly affected by the quality of electronic equipment and system software, the operation and maintenance of corporate systems, performance of application software business operation, the level of industry service providers, virus and hacker attacks, data loss and leakage, abnormal access to operating authorization, infrastructure, natural disasters, etc.

(8) *Reputation risk*

Reputation risk refers to the risk of the damage of its brand value or adverse effect on its normal operation and even effect on market stability and social stability caused by the negative evaluation of the securities company by investors, issuers and regulators, self-discipline organization, social public and the media due to the operation or external events of the Company, the relevant behaviors such as the violation of the provisions of integrity, professional ethics, business practices, industry rules and regulations by workers. The Company's operation and management behaviors related to reputation risk mainly include: strategic planning or adjustment, change of equity structure, adjustment of internal organization or change of core personnel; Design, provision or promotion of business investment activities and products and services; Major defects in internal control design, implementation and system control or major operating loss events; Judicial matters and supervision investigation and punishment; False reports by the news media or false comments on the Internet; Customer complaints and improper remarks or behaviors related to the Company; Improper remarks or behaviors of the staff, violation of honesty regulations, professional ethics, business norms, industry rules and regulations, etc.

2. Counter-measures that the Company has adopted or plans to adopt for the above risks

(1) Establishment of an overall risk management system of GF Securities

In recent year, based on external regulatory requirements and internal risk management requirements, the Company has established and continuously optimized overall risk management system and conducted risk management work by focusing on some key factors, such as “risk management culture, risk management governance framework, risk management mechanism and implementation and risk management infrastructure”. At present, the Company’s risk management has covered each type of risks, each business line, each department and each subsidiary. Relevant mechanism and process for the identification and analysis, assessment and measurement, monitoring and reporting, response and address of risks are in effective operation.

(2) Specific management for various risks

① Policy risk management

The Company pays close attention to the change of various policies and makes timely response and corresponding adjustments according to the latest policies to minimize the influence of policy risks on operating activities of all businesses of the Company. The Company’s measures to manage policy risks include: 1) The Company regularly monitors various external regulatory policies and conducts particular assessment and analysis in respect of material regulatory policies; 2) Implementation of various businesses of the Company will always be policy-oriented, front office, middle office and back office of the Company will continuously be highly sensitive to policy changes; as for major policy changes, each department of the Company provides basis for management at all levels to make operational decisions on the basis of elaborated analysis and monographic study; 3) The Company regularly conducts perspective discussions about macroscopic and supervision policy change and formulates specific countermeasures.

② Liquidity risk management

The Company implements prudent liquidity risk preference management strategy to ensure that the Company will have adequate liquidity reserve and fundraising capability under normal situation and stress state through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency response and monitoring and pre-warning about liquidity risk index and includes the liquidity risk of the subsidiaries in the Group for centralized management and control to prevent liquidity risk of the Group. Specific measures for liquidity risk management include: 1) The Company formulates, implements and continues to improve its financing strategy to implement centralized management for financing and liabilities in accordance with the asset-liability structure and business development planning of the Company; 2) The Company implements daytime liquidity management reasonably and guarantee that the



Company has sufficient daytime liquidity cash; 3) The Company implements multi-level liquidity reserve management, clarifies investment scope of liquidity asset reserves and sets corresponding risk limit and conducts daily monitoring; 4) The Company establishes liquidity risk limit system and conducts daily calculation and supervision for the relevant monitoring indexes based on regulatory requirements and needs of internal liquidity risk management; 5) The Company regularly or irregularly evaluates cash gap and liquidity risk index of the Company under circumstances of internal and external liquidity pressure and formulates corresponding liquidity management strategies; 6) The Company urges and guides the relevant subsidiaries to establish and strictly implement liquidity risk management mechanism including risk limit, monitoring and reporting, stress testing, emergency response, etc.; 7) The Company regularly or from time to time carries out liquidity risk drill and optimizes and perfects liquidity risk emergency disposal processes and mechanism of the Company based on the drill condition.

③ Market risk management

The Company follows the principles of active management and quantitation orientation based on its own risk preference and market risk tolerance, as well as the actual needs of each business line, and adopts a top-down and bottom-up method to formulate and refine the market risk limit of the Group, the parent company and each business unit, to guarantee that the market risk exposure of the Company is within the risk tolerance range set through various measures such as risk identification, evaluation, measurement, monitoring, reporting and disposal. With the development of the FICC business, derivative products business and overseas business of the Company, the Company has enhanced effectiveness and efficiency of risk management through the following measures to cope with more complicated market risk: 1) The Company monitors daily possible short-term losses under normal fluctuations by setting VaR and sensitivity index limit for key investment business and complex derivatives business based on traditional risk index limit, and establishes stress test index limit to monitor and evaluate possible losses under extreme conditions, optimizes authorization hierarchy for risk limit based on business maturity so as to continue to improve the scientificity and effectiveness of the market risk limit management; 2) The Company actively studies the advanced and mature market risk measurement models, gradually explores the application of indicators such as ES and SVaR and establishes a multi-level risk quantification indicators system; 3) The Company continues to independently research and develop industry-leading risk management system to achieve centralized management of full-position market risk covering various investment businesses and investment types of the Company, thus realizing systematic daily monitoring and early warning of risk index limit to improve monitoring efficiency; 4) The Company continues to improve the risk management framework for pricing and risk measurement model, covering rating, development, verification, examination, utilization, monitoring and review of the model, and realizes the online management of the entire process through the model base.

④ Credit risk management

The Company implements management of credit risk for the whole process by means of effective risk identification, cautious risk evaluation and decision-making, measuring and monitoring of dynamic risk, timely risk report and settlement to effectively prevent or avoid risk event, reduce loss of the Group due to risk event and achieve income maximization after risk adjustment within the scope that credit risk can be accepted. The Company sticks to the following basic principles for credit risk management: 1) The Company shall identify and manage credit risk exposed to all products and business including new product and new business; 2) The Company controls risk at the front end by formulating risk policy about credit business (including due diligence request of clients, business access requirement); 3) The Company improves credit management of counterparties by consistently optimizing internal rating system; 4) The Company establishes multi-level credit risk limit system for total business size, single customer and its identifiable related parties, single stock collateral and industry, to control credit risk exposure and concentration risk; 5) The Company reduces net exposure of risk and estimated loss undertaken by the Group through various risk mitigation measures; 6) The Company establishes a set of information system and analysis tools to balance credit risk exposure and classify and evaluate risk asset combination.

⑤ Compliance risk management

The Company strictly complies with external legal provisions and regulatory requirements to implement various aspects of compliance management work such as continuously strengthening system establishment, compliance review and consulting, compliance control and examination, staff practice, anti-money laundering management and segregation wall management. The Company has adopted the following measures to enhance the quality of compliance management: 1) effectively implementing various relevant requirements, optimizing the organizational structure of compliance management, organizing the compliance management personnel in place, strengthening the first-line compliance management and establishing the compliance management system with three departments cooperating with each other to satisfy the needs for management and control of compliance risk pre-event and during the process of the event in accordance with the “Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies” (《證券公司和證券投資基金管理公司合規管理辦法》) and the “Guidelines on Implementation of Compliance Management of Securities Companies (《證券公司合規管理實施指引》); 2) in accordance with changes in external laws and regulations and internal management requirements, initiating the streamline of “formulation, modification, repealing” of the internal rules and regulations of the Company when appropriate, and realizing comprehensive compliance management coverage and effective management and control of the Company’s business through management measures such as compliance review and consulting, examination and control, and assessment accountability, etc., to promote the standardized development of business; 3) gradually improving the establishment of the compliance implementation information system, and improving the effectiveness of compliance management through high-tech and intelligent means.



⑥ Operational risk management

The Company manages its operational risks mainly through the combination of sound authorization mechanism and segregation of duties, optimized system and process, well established IT system, strict operation discipline, strengthened control before and during the process as well as subsequent supervision and inspection etc.. The Company has improved the level and effect of operational risk control mainly through the following measures: 1) The Company has improved the operational risk management system, strengthened the joint coordination between the three lines of defense of the operational risk management, and enhanced the in-depth analysis and rectification tracking of the operational risk related issues; 2) The Company has improved tool system for operational risk management, and further improved the operational risk identification, evaluation, monitoring and reporting mechanism through continuous improvement and further promotion of risk and control self-assessment, key risk indicators and loss data collection, with new business assessment and IT system establishment process embedded as a normal practice; 3) The Company has been gradually achieving the systematization and standardization of the operation risk management through continuous optimization of the operational risk management system; 4) The Company continues to enhance the management of operational risks of its subsidiaries through traditional tools for operational risk management and new business assessment and information system establishment; 5) Considering requirements for the construction of operational risk management system, the Company has been continuing to improve the assessment and management system for new products and new business, optimize the process for assessment, inspection and review, and continuously enhance the tracking management for new business.

⑦ Information technology risk management

In 2021, leveraging on the five-in-one assurance system of “assurance of on-going business, safety assurance, quality assurance, information platform and cloud platform”, the Company realized online operation of the assurance system through platform to achieve the close-cycle before-event, event and after-event management of IT risks. The Company increased its IT investment, continued to regulate operation process, strengthened compliance risk control and management, which further improved the security management level for the establishment, operation and maintenance of information system and ensured the safe, reliable and stable operation of the Company’s information system, thereby effectively supporting the regulated development of the Company’s business.

⑧ Reputation risk management

On October 15, 2021, in order to guide securities companies to effectively manage reputation risk, improve the overall risk management system, prevent the moral risk of securities practitioners, and maintain the image of the securities industry and market stability, the Securities Association of China officially issued the Guidelines for Reputation Risk Management of Securities Companies (《證券公司聲譽風險管理指引》), the Company continues to establish and improve the reputation risk management system, and establish a whole-process control mechanism including identification, evaluation, control, monitoring, response and report according to the regulatory requirements and the basic internal risk management system; through effective public opinion monitoring means, reputation risk is timely identified and dynamically monitored; the Company regularly assess its overall reputation risk, maintain and manage media relations; coordinate all units of the Company to deal with reputation risk events in a timely manner; promote the construction of the official platform, use a variety of media forms to promote the active dissemination of positive and objective information of the Company; organize and implement reputation risk training, cultivate the awareness of reputation risk prevention of all staff, require all staff to take the initiative to maintain, consolidate and enhance the Company's reputation, promote the steady development of all businesses and achieve long-term sustainable development of the company through effective management of reputation risk.

X. RECEPTION OF ACTIVITIES SUCH AS RESEARCH, COMMUNICATION AND INTERVIEW DURING THE REPORTING PERIOD

The Company highly values investor relationship management and information disclosure, pays attention to the truthfulness, accuracy, completeness and timely and fair disclosure of information, actively protects the interest of medium and small investors, listens and replies to proposals and consultative opinions of medium and small investors in the ordinary course of work. The Company maintains smooth interactive communication with institutional investors and individual investors by means of telephone, mail, website of the Company or the "Easy Interaction" platform of the SZSE, regular or irregular referral conference or roadshow, interview and research. In 2021, in addition to the daily telephone communication with public investors, there were a total of 30 receptions of activities such as research and performance roadshow, and the Company received about 200 investors in total. The details are as follows:

Reception time	Reception location	Reception method	Type of participants	Participants	Main subjects discussed and information provided
From January 1, 2021 to December 31, 2021	-	Telephone communication	Individuals	Public investors	Operation and development of the Company
January 14, 2021	-	Telephone communication	Institutions	M&G	Operation and development of the Company
March 30, 2021	-	Results roadshow	Institutions	Analysts and investors invited to GF Securities' 2020 Annual Results Presentation	Strategic and business development of the Company
March 31, 2021	-	Results roadshow	Institutions, individuals	Investors participating in GF Securities' 2020 Annual Results Webcast Presentation	Strategic and business development of the Company
April 8, 2021	-	Telephone communication	Institutions	Analysts of DBS Bank and its invited investor	Strategic and business development of the Company



Reception time	Reception location	Reception method	Type of participants	Participants	Main subjects discussed and information provided
April 9, 2021	-	Telephone communication	Institutions	Analysts of CITIC Construction and its invited investors	Strategic and business development of the Company
April 13, 2021	-	Telephone communication	Institutions	M&G	Operation and development of the Company
April 20, 2021	-	Telephone communication	Institutions	Analysts of Changjiang Securities and its invited investor	Strategic and business development of the Company
May 19, 2021	-	Telephone communication	Institutions	Millennium Capital	Operation and development of the Company
May 27, 2021	-	Telephone communication	Institutions	Investors invited to the Pan-Asia Regional Financial Conference 2021 organized by BofA Securities	Strategic and business development of the Company
June 2, 2021	-	Telephone communication	Institutions	Investors invited to the 2021 Capital Market Forum of CITIC Securities	Strategic and business development of the Company
June 3, 2021	-	Telephone communication	Institutions	Analysts of TF Securities and its invited investor	Strategic and business development of the Company
June 3, 2021	-	Telephone communication	Institutions	Investors invited to the Pan-Asia Regional Investor Conference 2021 of Citigroup	Strategic and business development of the Company
August 30, 2021	-	Results roadshow	Institutions	Analysts and investors invited to GF Securities' 2021 Interim Results Presentation	Strategic and business development of the Company
September 1, 2021	The Company's Meeting Room on 51th Floor	On-site communication	Institutions	CITIC Securities	Operation and development of the Company
September 1, 2021	-	Telephone communication	Institutions	Analysts of Shenwan Hongyuan and its invited investor	Strategic and business development of the Company
September 2, 2021	-	Telephone communication	Institutions	Millennium Capital	Operation and development of the Company
September 3, 2021	-	Telephone communication	Institutions	Analysts of Changjiang Securities and its invited investor	Strategic and business development of the Company
September 9, 2021	-	Telephone communication	Institutions	M&G	Operation and development of the Company
September 15, 2021	The Company's Meeting Room on 40th Floor	On-site communication	Institutions	Cinda Securities	Operation and development of the Company

Reception time	Reception location	Reception method	Type of participants	Participants	Main subjects discussed and information provided
September 23, 2021	-	Telephone communication	Institutions	Wellington Asset Management	Operation and development of the Company
September 28, 2021	-	Telephone communication	Institutions	Pzena Investment Management	Operation and development of the Company
October 15, 2021	-	Telephone communication	Institutions	Millennium Capital	Operation and development of the Company
November 3, 2021	-	Telephone communication	Institutions	Investors invited to the Pan-Asia Regional Investor Conference 2021 of Citigroup	Strategic and business development of the Company
November 10, 2021	-	Telephone communication	Institutions	Investors invited to the Pan-Asia Regional Financial Conference 2021 organized by BofA Securities	Strategic and business development of the Company
November 11, 2021	Shenzhen	On-site communication	Institutions	Investors invited to the 2021 Capital Market Forum of CITIC Securities	Strategic and business development of the Company
November 16, 2021	The Company's Meeting Room on 51th Floor	On-site communication	Institutions	Foresight Fund	Operation and development of the Company
November 16, 2021	-	Telephone communication	Institutions	Zheshang Securities	Operation and development of the Company
November 17, 2021	-	Telephone communication	Institutions	Investors invited to strategy conference of Huatai Securities	Strategic and business development of the Company
November 26, 2021	The Company's Meeting Room on 51th Floor	On-site communication	Institutions	Huatai Securities	Operation and development of the Company
December 8, 2021	-	Telephone communication	Institutions	Guotai Fund (國泰基金)	Operation and development of the Company

Note: The record chart of investor relations activities regarding the reception of the above institutional investors by the Company is disclosed on the website of SZSE (www.szse.cn) and the website of CNINFO (www.cninfo.com.cn).



XI. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into “Service Contracts for Directors” and “Service Contracts for Supervisors” with each of the 11 Directors of the current Tenth Session of the Board of Directors and each of the 5 Supervisors of the current Tenth Session of the Supervisory Committee. The term of office of the Directors and Supervisors was effective from the date of approval by the General Meeting or the employee representatives meeting until the expiry date of the term of office for the Tenth Session of the Board of Directors and the Tenth Session of the Supervisory Committee. The “Service Contracts for Directors” and “Service Contracts for Supervisors” provide the agreed terms on the duties and responsibilities of the Directors and Supervisors during their term of office and their term of office.

XII. INTEREST OF DIRECTORS AND SUPERVISORS IN MATERIAL CONTRACTS

Except for the service contracts, the Group has not entered into any significant contracts in which the Directors or Supervisors of the Company had, directly or indirectly, a material interest during the Reporting Period.

XIII. INTEREST OF DIRECTORS IN BUSINESSES IN COMPETITION WITH THE COMPANY

None of the Directors of the Company has any interest in any business that competes with our business.

XIV. PERFORMANCE OF SOCIAL RESPONSIBILITIES

Please see “Section 7. Environmental and Social Responsibilities” in this report.

XV. TAX CONCESSION

(I) Holders of A-shares

In accordance with the “Notice on Relevant Issues of Implementation of Individual Income Tax Policy of Dividends and Bonus Differentiation 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) and the “Notice on Relevant Issues of Individual Income Tax Policy of Dividends and Bonus Differentiation 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) issued by the Ministry of Finance, the State Bureau of Taxation and the CSRC, for dividends and bonus of individual investors obtained from listed companies from the date when individual investors obtain shares of the Company to the equity registration date, if shareholding period is more than one year, personal income tax will be exempted; if shareholding period is not more than one year (including one year), the listed company will not withhold and remit personal income tax and make corresponding adjustment according to the tax payable amount calculated by their shareholding period.

As for shareholders of resident enterprises, income tax of cash bonus will be paid by themselves.

Listed companies will withhold and remit enterprise income tax at the tax rate of 10% for qualified foreign institutional investors (QFII) in accordance with provisions of the “Notice of State Administration of Taxation on Relevant Issues Regarding the Withholding and Payment of Enterprise Income tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII” (Guo Shui Han [2009] No. 47) 《國家稅務總局關於中國居民企業向 QFII 支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號). If dividends and bonus obtained by QFII shareholders need to enjoy tax convention (arrangement) treatment, they can put forward or entrust obligor of withholding and remitting tax to put forward application for enjoying tax convention treatment to the competent taxation authority of the listed company.

In accordance with provisions of the “Notice of the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission on Tax Policies about Inter-communication Pilot of Shenzhen-Hong Kong Stock Exchange Mechanism” (Cai Shui [2016] No. 127) 《財政部國家稅務總局證監會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), as for dividends and bonus of Hong Kong market investors (including enterprise and individual) by investing A-shares listed on SZSE, differentiated taxation policy will not be temporarily implemented as per shareholding time before Hong Kong Securities Clearing Company Limited complies with conditions to provide detailed data including identities of investors and shareholding time for China Securities Depository and Clearing Corporation Limited, and the listed company will deduct income tax at the tax rate of 10% and go through deduction declaration with the competent taxation authority. As for Hong Kong investors who belong to tax residents of other countries and dividends income tax rate specified in tax convention signed by their countries and China is lower than 10%, enterprises or individuals can put forward or entrust obligor of withholding and remitting tax to put forward application for enjoying tax convention treatment to the competent taxation authority of the listed company.

(II) Holders of H Shares

In accordance with provisions of the “Notice of the State Administration of Taxation on Personal Income Tax Collection Issues after the Document with the Number of Guo Shui Fa [1993] No. 045 has been Abolished” (Guo Shui Han [2011] No. 348) 《國家稅務總局關於國稅發[1993]045 號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348 號), withholding and remitting obligor will withhold and remit personal income tax as per item of “interest, dividends and bonus income” for dividends and bonus income of overseas resident individual shareholders from domestic non-foreign-funded enterprise by issuing shares in Hong Kong. When domestic non-foreign-funded enterprise issues shares in Hong Kong, its overseas resident individual shareholders will enjoy relevant tax preference in accordance with tax convention signed by China and the country stated in the residential identity and tax arrangement of inland and Hong Kong (Macau). In general, tax rate for dividend is 10% in accordance with relevant tax convention and provisions on tax arrangement. To simplify tax collection and management, when a domestic non-foreign funded enterprise that has issued shares in Hong Kong distributes dividends and bonus, personal income tax will be generally withheld and remitted as per the tax rate of 10% and application is not necessary. Situations in which tax rate for dividends is not 10% will be handled in accordance with the following provisions: (1) as for residents of conventional country whose tax rate is less than 10%, withholding and remitting obligor can handle application for enjoying relevant convention treatment and excessive tax will be refunded with approval of competent taxation authority; (2) as for residents of conventional country whose tax rate is between 10% and 20%, withholding and remitting obligor shall withhold and remit personal income tax as per actual conventional tax rate when distributing dividends and bonus and it need not handle application and approval issues; (3) as for residents without tax convention and other situations, withholding and remitting obligor shall withhold and remit personal income tax at the tax rate of 20% when distributing dividends and bonus.

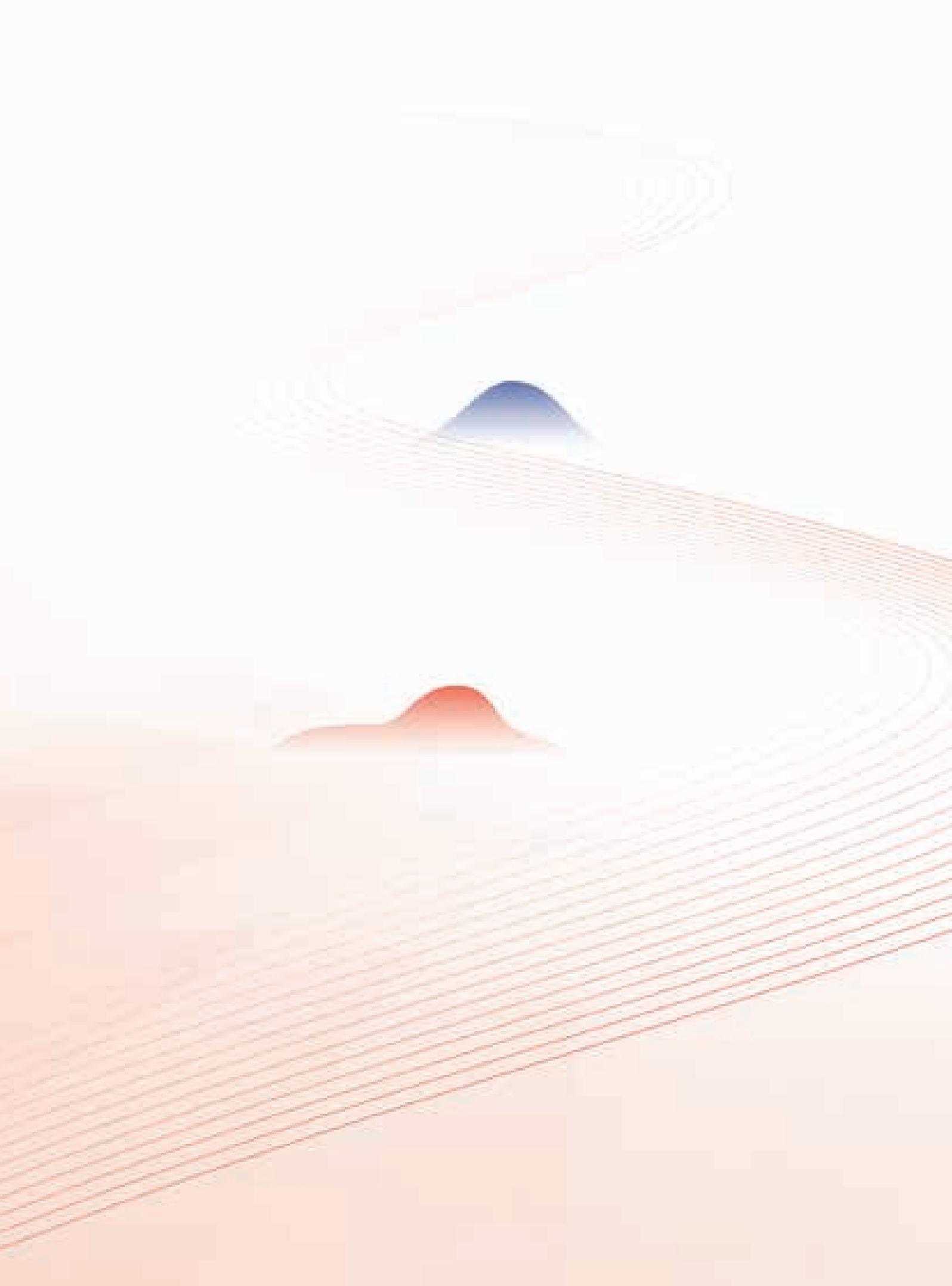


In accordance with provisions of the “Notice on Relevant Issues that PRC Resident Enterprises Distribute Dividends to Overseas Non-resident Enterprise Shareholders of H-shares and Withhold and Remit Enterprise Income Tax” (Guo Shui Han [2008] No. 897) 《關於中國居民企業向境外 H 股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897 號) issued by the State Administration of Taxation, when PRC resident enterprises distribute dividends of 2008 and future years to overseas non-resident enterprise shareholders of H-shares, they will withhold and remit enterprise income tax at the tax rate of 10%.

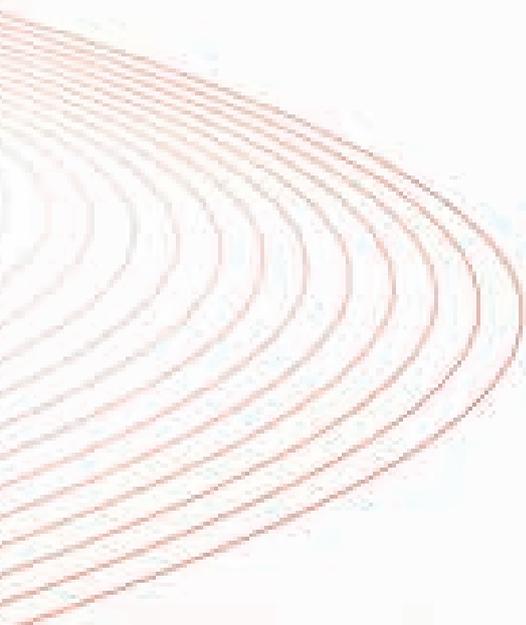
In accordance with provisions of the “Notice of the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission on Tax Policies about Inter-communication Pilot of Shenzhen-Hong Kong Stock Exchange Mechanism” (Cai Shui [2016] No. 127) 《財政部國家稅務總局證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127 號), H-share companies will deduct personal income tax at the tax rate of 20% for dividend and bonus of individual investors in the PRC by investing in H-shares of the Hong Kong Stock Exchange via Shenzhen-Hong Kong Stock Connect. Personal income tax will be collected in accordance with the above provisions for dividends and bonus income of the securities investment fund in the PRC by investing in listed shares of the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect. H-share companies will not deduct dividend and bonus income tax for dividends and bonus of enterprise investors in the PRC by investing in listed shares of the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect and income tax will be paid by enterprises. Dividends and bonus income of resident enterprises in the PRC obtained as they have continuously held H-shares for 12 months and enterprise income tax will be exempted according to laws.

In accordance with current convention of the Hong Kong Inland Revenue Department, taxes will not be paid for dividends paid by the Company in Hong Kong.

Shareholders of the Company will pay relevant taxes and/or enjoy tax concession in accordance with the above provisions.



SECTION 6
CORPORATE
GOVERNANCE



I. BASIC SITUATION OF THE CORPORATE GOVERNANCE

The Company is committed to becoming a modern investment bank with international competitiveness, brand influence and systematic significance. As a public company listed in both Mainland China and Hong Kong, the Company carries out standardized operations in strict accordance with the requirements of laws and regulations and normative documents of the place where the Company is listed, therefore continuously improving the social recognition and public reputation.

The Company continues to enhance corporate governance pursuant to stipulations under the relevant laws and regulations including the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Companies, the Rules for Governance of Securities Companies, the Self-Regulatory Guidelines No.1 for Companies Listed on Shenzhen Stock Exchange – Standardized Operation for Companies Listed on Main Board and the Hong Kong Listing Rules. The Company constantly improves its internal control management system so as to gradually reinforce the completeness, rationality and effectiveness of its internal control. The Company further establishes and improves its rules and regulations. The general meeting of Shareholders, the Board of Directors, the Supervisory Committee and the management of the Company perform their respective duties and act with due diligence, which establishes a sound structure of corporate governance. Through this corporate governance structure, the Company ensures its standard operation in accordance with the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules (hereinafter referred to as the “Code”). There is no material difference between the actual situation of corporate governance and the laws, administrative regulations and regulations on the governance of listed companies issued by the CSRC and the Hong Kong Stock Exchange.

To satisfy the requirements of both corporate governance and specific operation for an A+H dual-listed company, the Company approved at the Board meeting on March 19, 2015, the adoption of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for securities transactions of the Company by all Directors and Supervisors, and the adoption of the Code as the guidelines for standardizing the Company’s governance. As at the end of the Reporting Period, after special enquiry of the Directors and Supervisors of the Company, all Directors and Supervisors have strictly complied with the standards in the Model Code for Securities Transactions by Directors of Listed Issuers during the Reporting Period. On April 10, 2015, the Company’s H Shares were issued and listed on the Main Board of Hong Kong Stock Exchange. Since then, the Company has strictly complied with the Code, and met most of the recommended best practice provisions as set out in the Code. According to the code provision C.2.1 in the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Since July 22, 2021, Mr. Lin Chuanhui, the Chairman of the Company, has also served as the General Manager of the Company, which has improved the implementation of the Company’s development strategy and promoted communication between the Board of Directors and senior management. Meanwhile, as all decisions of the Board of Directors of the Company are required to be reviewed and approved by the Board of Directors, during the Reporting Period, there were 7 non-executive Directors among the 10 then members of the Board of Directors of the Company, including four independent non-executive Directors who complied with the listing rules of the two places, which are sufficient to ensure a balance of power and authority in the operation of the Board of Directors.



II. THE COMPANY'S INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER IN TERMS THE ASSETS, PERSONNEL, FINANCE, INSTITUTIONS AND BUSINESS OF THE COMPANY

The Company has no controlling shareholder and de facto controller. The Company is completely separated from the largest shareholder with regard to the assets, personnel, finance, institutions, business and other aspects. The Board of Directors, the Supervisory Committee and each functional department are all able to operate independently, equipped with independent business and operation capacities. Details are as follows:

1. Independence of the assets

The Company has independent and integral assets which are necessary for carrying out securities business. No shareholders (including the largest shareholder) or other related parties have taken up the Company's assets or acted detrimentally to the legitimate rights of the Company and its other shareholders or clients. The Company independently operates and manages its own assets according to laws, possessing the franchises, real estate, operation equipment and trademarks which are required for its operation. The Company has legitimate rights to own and use such assets, and no shareholders (including the largest shareholder) have occupied the Company's assets and capital which may harm the interests of the Company.

2. Independence of personnel

The Company has a dedicated human resources management department and training center, and has established a complete human resources management system and institution to independently carry out human resource management related work including labor relations, recruitment and deployment, performance appraisal, payroll management, training and development. The Company is completely separated with the largest shareholder and other shareholders. The engagement of the Company's Directors, Supervisors, and senior management complies with the Company Law, the Securities Law and other relevant provisions. The Company's incumbent Directors, Supervisors and senior management personnel have met the conditions required by the relevant laws, administrative regulations, departmental rules, normative documents, the SZSE Listing Rules and other relevant provisions of the relevant stock exchanges. No senior management serves in the largest shareholder of the Company and other shareholders or works in a part-time manner for other for-profit institutions or engages in other business activities.

3. Financial independence

In accordance with the Accounting Standards for Business Enterprises, the Accounting Standards for Business Enterprises-Application Guide, the Financial Rules for Financial Enterprises and other regulations, the Company has established an independent financial department along with independent financial accounting system and financial management system. The Company is staffed with independent financial accountants, none of whom serve in a part-time manner for any shareholders of the Company. The Company's financial decisions are made independently, and no shareholders or related parties have interfered with the use of funds. The Company maintains a separate banking account, and no shareholders (including the largest shareholder) and related parties share accounts with the Company. As an independent taxpayer, the Company has completed separate tax registration and pays tax according to laws, and no shareholder pays taxes together with the Company.

As at the date of this report, the Company has not provided any guarantees to any shareholder (including the largest shareholder) and other related parties.

4. Institutional independence

The Company has established a sound corporate governance structure, and has set up the general meeting of shareholders, the Board of Directors and its five special committees (namely the Strategy Committee, the Nomination Committee, the Remuneration and Appraisal Committee, the Audit Committee and the Risk Management Committee), the Supervisory Committee, the management team and related business management departments which work properly and exercise powers according to laws within the framework of their respective terms of reference. With independent and complete securities business and management systems, the Company independently develops business and complies with the CSRC requirements in terms of the organizational setup and operation. The Company's existing offices and business premises are completely split from those of its shareholders, so there is no shared use among different organizations.

5. Operational independence

The Company independently carries out operation within its business scope approved by the CSRC in accordance with the Company Law and the Articles of Association of the Company. The Company has obtained the required business license to run securities business and has independent business and operation capacities. In its business operations, the Company is free from influence and control of shareholders including the largest shareholder and related parties and is able to compete in the market. There are no situations where shareholders and related parties violate the Company's operational procedures and interfere with the internal management and operation decisions of the Company.

III. COMPETITION WITH THE COMPANY

None.



IV. THE ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS HELD DURING THE REPORTING PERIOD

The general meeting shall be the authority of power of the Company, through which the shareholders shall exercise their functions in accordance with the laws. The existing Articles of Association of the Company and the Rules of Procedure for the General Meeting have provided for the rights and obligations of shareholders, the authority of the general meeting of shareholders, the convening, voting and resolutions of the general meeting of shareholders, which ensure the standard and effective operation of the general meeting of shareholders and protect the interests of shareholders, especially those of the minority shareholders.

Under Article 84 of the Articles of Association of the Company, shareholder(s) severally or jointly holding 10% or more of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, administrative regulations and the Articles of Association, give a written reply on whether to convene an extraordinary general meeting or not within 10 days after receipt of the request. If the Board agrees to convene an extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is passed by the Board. In the event of any change to the original proposals set forth in the notice, the consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding 10% or more shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after receipt of the said request. In the event of any change to the original proposals set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the case of failure to issue the notice for the general meeting within the term stipulated, the Supervisory Committee shall be deemed as failing to convene and preside over the general meeting. As a result of its failure to do so, the shareholder(s) severally or jointly holding 10% or more shares of the Company for 90 consecutive days or above may convene and preside over such meeting by itself/themselves.

In addition, under Article 89 of the Articles of Association of the Company, where the Company convenes a general meeting, the Board, the Supervisory Committee and shareholder(s) severally or jointly holding 3% or more shares of the Company may make proposals to the Company. Shareholder(s) severally or jointly holding 3% or more shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within two days after receipt of a proposal, and announce the content of the proposals on the agenda. Otherwise, the convener shall not change the proposals set out in the notice of general meeting or add any new proposal after the said notice announcement is served.

1. General meeting of shareholders during the Reporting Period

Session of meeting	Type of meeting	Participation ratio of investors	Convening date	Disclosure date	Resolutions of the meeting
2021 first extraordinary general meeting	Extraordinary general meeting	49.6957%	January 6, 2021	January 7, 2021	All the resolutions were approved
2020 Annual general meeting	Annual general meeting	51.2127%	May 13, 2021	May 14, 2021	All the resolutions were approved

Note: Participation ratio of investors refers to the proportion of the number of shares held by investors participating in the meeting in the total share capital of the Company.

As a responsible public company, the Company is dedicated to providing effective protection of shareholders of the Company and their full right of information and ensuring the fairness of information disclosure. The Company has also continued to take a series of concrete actions to further improve and increase its communication with investors. The Company has designated the Secretary of Board of Directors and a Company Secretary to be responsible for information disclosure. The securities representative and the Board's office assist in information disclosure and maintenance of investors relations. The Company interacts and communicates with investors in a variety of forms, mainly including phone calls, mails, investor relation platform on the Company's website, the interaction platform of the SZSE, site visits, attending investor presentations and overseas roadshows. Shareholders may at any time make queries and express their views to the Board in writing through the Company Secretary and the Board's office. Where appropriate, shareholders' inquiries and comments will be forwarded to the Board of Directors and/or the relevant special committees of the Company's Board to address shareholders' questions, to ensure that shareholders, especially the minority shareholders, can fully exercise their rights (for contact information of the Company, please refer to "II. Contact Persons and Contact Information" in Section 2 of this report).

2. Holders of preferred shares whose voting rights have been restored request the convening of extraordinary general meeting

N/A



V. PARTICULARS ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Basic information

Name	Position	Status	Sex	Age	Date of appointment	Date of cessation
Lin Chuanhui	Executive Director, chairman, general manager	Current	Male	58	December 11, 2020	To present
Ge Changwei	Executive Director, vice chairman	Current	Male	57	February 10, 2022	To present
Li Xiulin	Non-executive Director	Current	Male	69	June 9, 2020	To present
Shang Shuzhi	Non-executive Director	Current	Male	70	June 9, 2020	To present
Guo Jingyi	Non-executive Director	Current	Male	47	October 19, 2020	To present
Sun Xiaoyan	Executive Director, deputy general manager, chief financial officer	Current	Female	50	June 9, 2020	To present
Qin Li	Executive Director, chief officer of the Company	Current	Male	54	June 9, 2020	To present
Fan Lifu	Independent non-executive Director	Current	Male	49	June 9, 2020	To present
Hu Bin	Independent non-executive Director	Current	Male	51	June 9, 2020	To present
Leung Shek Ling Olivia	Independent non-executive Director	Current	Female	50	June 9, 2020	To present
Li Wenjing	Independent non-executive Director	Current	Male	43	June 9, 2020	To present
Zhou Xitai	Chairman of Supervisory Committee, employee representative supervisor	Current	Male	58	January 10, 2022	To present
Lai Jianhuang	Supervisor	Current	Male	58	June 9, 2020	To present
Xie Shisong	Supervisor	Current	Male	59	June 9, 2020	To present
Lu Xin	Supervisor	Current	Female	58	June 9, 2020	To present
Cheng Huaiyuan	Employee representative supervisor	Current	Male	56	June 9, 2020	To present
Wu Jifu	Deputy general manager	Current	Male	57	June 9, 2020	To present
Zhang Wei	Deputy general manager	Current	Male	46	June 9, 2020	To present
Yi Yangfang	Deputy general manager	Current	Male	52	July 22, 2021	To present
Xin Zhiyun	Deputy general manager, chief information officer	Current	Male	52	June 9, 2020	To present
Li Qian	Deputy general manager	Current	Male	37	July 22, 2021	To present
Xu Youjun	Deputy general manager, chief compliance officer, secretary to the Board, joint company secretary	Current	Male	50	June 9, 2020	To present
Ouyang Xi	Chief officer of the Company	Current	Male	54	December 31, 2020	To present
Wu Shunhu	Chief risk officer	Current	Male	52	January 10, 2022	To present
Cui Zhouhang	Chief human resources officer	Current	Male	38	January 10, 2022	To present
Zhang Shaohua	Chairman of Supervisory Committee, employee representative supervisor	Resigned	Male	56	June 9, 2020	January 10, 2022
Kong Weicheng	Chief risk officer	Resigned	Male	48	July 22, 2021	January 7, 2022
Sun Shuming	Executive Director, Chairman	Resigned	Male	60	June 9, 2020	July 21, 2021
Luo Binhua	Deputy general manager	Resigned	Male	57	June 9, 2020	July 21, 2021
Yang Long	Deputy general manager	Resigned	Male	58	June 9, 2020	July 21, 2021

Note 1: The calculation of age in the above table was conducted on March 30, 2022;

Note 2: The Company did not implement equity incentive plan, employee stock ownership plan or other employee incentive measures;

Note 3: The date of appointment shall be the appointment time of the current term of this session of the Board of Directors, Supervisory Committee and senior management;

Note 4: If there are more than one position in the same term of office, the date of appointment shall be the time of earliest appointment.

CHANGES IN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Name	Position	Type	Date	Reasons
Lin Chuanhui	Executive director	Elected	January 6, 2021	Election at the general meeting
	Chairman	Elected	July 22, 2021	Election by the Board
Sun Shuming	Chairman and executive director	Resigned	July 21, 2021	Age reason
Luo Binhua	Deputy general manager	Resigned	July 21, 2021	Work adjustment
Yang Long	Deputy general manager	Resigned	July 21, 2021	Work adjustment
Yi Yangfang	Deputy general manager	Appointed	July 22, 2021	Appointed by the Board
Li Qian	Deputy general manager	Appointed	July 22, 2021	Appointed by the Board

- On January 6, 2021, Mr. Lin Chuanhui was elected as the executive director of the tenth session of the board of directors of the Company at the first extraordinary general meeting of the Company in 2021. On the same day, the Company held the twelfth meeting of the tenth session of the board of directors and elected Mr. Lin Chuanhui as a member of the Strategy Committee of the tenth session of the board of directors of the Company.
- On July 21, 2021, the Company received a written resignation letter from Mr. Sun Shuming, the former Chairman. Mr. Sun Shuming tendered the resignation from the position as the chairman and an executive director of the Company, a member of the Strategy Committee, the Nomination Committee and the Risk Management Committee of the board of directors of the Company for age reason.

On July 22, 2021, the Company held the fifteenth meeting of the tenth session of the board of directors and elected Mr. Lin Chuanhui as the Chairman of the Company, appointed Mr. Lin Chuanhui as the authorized representative for communication between the Company and the Hong Kong Stock Exchange, and elected Mr. Lin Chuanhui as the chairman of the Risk Management Committee of the tenth session of the board of directors of the Company.



3. On July 21, 2021, the Company received a written resignation letter from Mr. Luo Binhua, the former deputy general manager, and a written resignation letter from Mr. Yang Long. Mr. Luo Binhua tendered the resignation from the position of the deputy general manager of the Company due to work adjustment. Mr. Yang Long tendered the resignation from the position of the deputy general manager of the Company due to work adjustment.
4. On July 22, 2021, the Company held the fifteenth meeting of the tenth session of the board of directors and appointed Mr. Xu Youjun as the chief compliance officer of the Company, appointed Mr. Kong Weicheng as the chief risk officer of the Company, and appointed Mr. Yi Yangfang, Mr. Xin Zhiyun, Mr. Li Qian and Mr. Xu Youjun as the deputy general manager of the Company. In accordance with the relevant requirement of “Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies” (《證券公司和證券投資基金管理公司合規管理辦法》), Mr. Xu Youjun will duly perform his duties as the chief compliance officer from the date he obtained the approval from the regulatory authorities. Mr. Yi Yangfang and Mr. Li Qian will duly perform their duties as the deputy general manager only upon passing of the qualification test for senior manages of securities company.

During the Reporting Period, Mr. Xu Youjun has duly performed his duties as the chief compliance officer of the Company; Mr. Yi Yangfang and Mr. Li Qian has duly performed their duties as the deputy general manager, for which the Company has conducted filing procedures with the relevant regulatory authorities.

5. On December 27, 2021, the Company received a written resignation letter from Mr. Zhang Shaohua, the former chairman of the supervisory committee and the employee representative supervisor. Mr. Zhang Shaohua tendered the resignation from the positions as a chairman of the tenth session of the supervisory committee and the employee representative supervisor of the Company due to work adjustment. The resignation of Mr. Zhang Shaohua will result in the proportion of the employee representative supervisors in the supervisory committee being less than one third. Therefore, according to the Company Law and the Articles of Association, Mr. Zhang Shaohua’s resignation will take effect from the date of the appointment of the employee representative supervisor. Prior to this, Mr. Zhang Shaohua continues to perform his duties in accordance with relevant laws, administrative regulations and the Articles of Association of the Company.

On January 10, 2022, a resolution was passed at the twelfth meeting of the fifth session of the employee representatives meeting of the Company, pursuant to which Mr. Zhou Xitai was elected as the employee representative supervisors of the tenth session of the supervisory committee of the Company until the expiration of the tenth session of the supervisory committee of the Company. On January 10, 2022, after consideration by the tenth session of the supervisory committee of the Company, all the supervisors unanimously agree to recommend Mr. Zhou Xitai as the convener of the tenth session of the supervisory committee of the company, to be responsible for convening and presiding over the meetings of the supervisory committee during the vacancy of the chairman of the supervisory committee. On January 28, 2022, the Company held the ninth meeting of the tenth session of the board of directors at which Mr. Zhou Xitai was elected as the chairman of the tenth session of the supervisory committee of the Company.

6. On January 7, 2022, the Company received a written resignation letter from Mr. Kong Weicheng, the former chief risk officer. Mr. Kong Weicheng tendered the resignation from the position of the chief risk officer of the Company due to work adjustment.
7. On January 10, 2022, the Company held the 20th meeting of the tenth session of the board of directors at which Mr. Wu Shunhu was elected as the chief risk officer of the Company and Mr. Cui Zhouhang was elected as the chief human resources officer of the Company (senior management). Mr. Cui Zhouhang will duly perform the above duty only upon passing of the qualification test for senior management officers of securities company. Currently, Mr. Cui Zhouhang has duly performed his duty as the chief human resources officer, in respect of which the Company has conducted filing procedures with the regulatory authorities pursuant to the relevant requirements.
8. On February 10, 2022, Mr. Ge Changwei was elected as an executive director of the tenth session of the board of directors of the Company at the 2022 first extraordinary general meeting of the Company. On the same day, the Company held the 21st meeting of the tenth session of the board of directors, at which Mr. Lin Chuanhui was elected as a member of the Nomination Committee of the tenth session of the board of directors of the Company and Mr. Ge Changwei was elected as vice chairman and a member of the Strategy Committee of the tenth session of the board of directors of the Company.

For details, please refer to the relevant announcements of the Company disclosed on the website of CNINFO (www.cninfo.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk).

2. PARTICULARS OF POSITIONS

The biographies of current Directors, Supervisors and senior management of the Company are as follows:

1. *Directors*

Executive Directors

Mr. Lin Chuanhui has been appointed as general manager of the Company since December 2020, executive director of the Company since January 2021 and chairman of the board of directors of the Company since July 2021. His primary working experiences include: cadre of the scientific research office and deputy division researcher of the organization bureau of the Party School of the Central Committee of CPC from July 1985 to December 1995, general manager of Beijing business unit of the investment banking department of the Company from December 1995 to January 1998, deputy general manager of the investment banking department and general manager of the Shanghai business headquarters of the Company from February 1998 to February 2001, standing deputy general manager of the investment banking department of the Company from February 2001 to October 2002, general manager of GF Fund Management Co., Ltd. (planning) from October 2002 to



August 2003, general manager of GF Fund from August 2003 to December 2020, vice chairman of GF Fund from March 2008 to December 2020, and concurrently, chairman of Ruiyuan Capital Asset Management Co., Ltd. from June 2013 to November 2018, general manager of Ruiyuan Capital Asset Management Co., Ltd. from June 2014 to April 2016, chairman of the board of directors of GF International Investment Management Limited from December 2010 to December 2020, chairman of the board of directors of GF Holdings (Hong Kong) Corporation Limited from September 2021 to December 2021 and director of China Securities Interagency Quotation Systems Co., Ltd. since December 2021. Mr. Lin Chuanhui obtained a bachelor's degree in economics from Jilin University in July 1985.

Mr. Ge Changwei has been appointed as the vice chairman and executive director of the Company since February 2022. His primary working experiences include: a staff member, assistant secretary, deputy section-level secretary and chief staff member of the Financial and Economic Committee of Anhui Provincial People's Congress from July 1985 to May 1992, chief staff member of the General Office of the Finance Department of Anhui Province from May 1992 to October 1995, deputy director of the General Office of the Finance Department of Anhui Province from October 1995 to October 1996, deputy director-level and director-level secretary of the General Office of Anhui Provincial Government from October 1996 to December 1999, assistant to director of the Planning Commission of Anhui Province from December 1999 to October 2000, assistant to the general manager and manager of the sales department of China Shenhua Group Transportation and Sales Company from October 2000 to November 2001, director-level secretary of the General Office of National Development and Reform Commission from November 2001 to December 2003, deputy bureau-level secretary of the General Office of the State Council from December 2003 to January 2006 (concurrently as vice municipal secretary of Liaocheng, Shandong Province from September 2004 to December 2005), vice chief secretary of Chongqing Municipal Party Committee from January 2006 to November 2007, vice chief secretary (department-level principal) of Chongqing Municipal Party Committee from November 2007 to December 2007, vice chief secretary of Guangdong Provincial Party Committee from December 2007 to February 2011, deputy secretary of Qingyuan Municipal Party Committee of Guangdong Province and mayor of Qingyuan from February 2011 to September 2011, secretary of Qingyuan Municipal Party Committee of Guangdong Province from September 2011 to January 2012, secretary of Qingyuan Municipal Party Committee of Guangdong Province and director of the Standing Committee of Qingyuan Municipal People's Congress from January 2012 to March 2018, Party secretary and director of the Guangdong Provincial Development and Reform Commission from March 2018 to May 2021 (concurrently as director of the Office of the Leading Group for the Promotion of Guangdong-Hong Kong-Macao Greater Bay Area Construction in Guangdong Province from October 2018 to May 2021), deputy chairman of the Expert Committee of China Southern Power Grid Company Limited from May 2021 to June 2021, secretary of the Party Committee of GF Fund Management Co., Ltd. from June 2021 to December 2021. Mr. Ge Changwei has been appointed as secretary of the Party Committee of the Company since January 2022. Mr. Ge obtained a degree of bachelor of arts from Anhui University in July 1985, and completed the postgraduate course of political economics at Anhui University in November 2000.

Ms. Sun Xiaoyan has been appointed as executive director of the Company since December 2014. Her primary working experience includes: staff of capital operation department, finance department and investment banking department, respectively, since joining the Company in July 1993, deputy general manager of accounting department of the Company from September 1998 to January 2000, deputy general manager of investment and proprietary trading department of the Company from January 2000 to October 2002, chief financial officer of GF Fund (preparatory) from October 2002 to August 2003, chief financial officer of GF Fund from August 2003 to October 2003, deputy general manager of GF Fund from October 2003 to March 2005, general manager of finance department of the Company from November 2003 to March 2014 and director of GFHK from August 2013 to May 2019. Ms. Sun Xiaoyan has been the chief financial officer of the Company since March 2006, a director of GF Fund since June 2007 and the deputy general manager of the Company since April 2011. In addition, Ms. Sun Xiaoyan was appointed as the chairman of the supervisory committee of E-Capital Transfer from December 2014 to June 2018 and supervisor of ECT since June 2018. Ms. Sun Xiaoyan obtained a bachelor's degree in economics from Renmin University of China in July 1993 and a master's degree of business administration from China Europe International Business School in September 2007.

Mr. Qin Li has been appointed as executive director of the Company since April 2011 and chief officer of the Company since December 2020. His primary working experience includes: standing deputy general manager at the department of investment banking administration, general manager of the investment management department, general manager of capital operation department, general manager of planning and management department, general manager of investment department, assistant to the general manager, deputy general manager and standing deputy general manager of the Company since March 1997, director of E Fund from March 2002 to October 2004, general manager of GF Fund Management Co., Ltd. (planning) from October 2002 to August 2003 · director of GF Fund from August 2003 to March 2005, chairman of GF Xinde from May 2010 to August 2013, chairman of the board of Guangdong Equity Exchange Co., Ltd. from September 2013 to April 2017, chairman of GF Asset Management from June 2018 to October 2019 · and director of GFHK since September 2006 to September 2021, which includes: chairman of GFHK from May 2019 to September 2021. Mr. Qin Li has been appointed as director of E Fund since May 2012 and chairman and general manager of GF Asset Management since December 2021. Mr. Qin obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in July 1992, a master's degree in commercial economics from Jinan University in Guangzhou in June 1995, a doctorate degree in economics from Renmin University of China in Beijing in July 2003 and completed a senior management executive master of business administration course from Cheung Kong Graduate School of Business in Beijing in September 2013.

***Non-executive Directors***

Mr. Li Xiulin has been appointed as non-executive director of the Company since May 2014. Mr. Li has been the chairman of Jilin Aodong Pharmaceutical Group Co., Ltd. (a company listed on SZSE, stock code: 000623, formerly known as Yanbian AoDong Pharmaceutical Co., Ltd.) since February 2000 to the present. His primary working experience includes: educated youth of Dashan Commune in Dunhua City, Jilin Province from February 1970 to June 1972, doctor of Dunhua Deer Farm in Yanbian, Jilin Province from June 1972 to August 1982, general manager and engineer of Yanbian AoDong Pharmaceutical Company from August 1982 to December 1987, general manager of Yanbian Dunhua Deer Farm from December 1987 to February 1993, chairman and general manager of Yanbian AoDong Pharmaceutical Co., Ltd. (renamed as Jilin Aodong Pharmaceutical Group Co., Ltd. in October 1998) from February 1993 to February 2000. Mr. Li obtained an academic diploma of bachelor's degree qualification in economics from Open College of Central Party School of the Communist Party of China in June 1992 and completed the 28th training course in business administration at Tsinghua University School of Economics and Management from February 2000 to June 2000.

Mr. Shang Shuzhi has been appointed as non-executive director of the Company since July 2001. Mr. Shang has been the chairman of Liaoning Cheng Da (a company listed on SSE, stock code: 600739, formerly known as Liaoning Cheng Da (Group) Co., Ltd. (遼寧成大(集團)股份有限公司)) since August 1993. His primary working experience includes: deputy general manager at Liaoning Province Textiles Import and Export Corporation from December 1987 to February 1991, deputy manager of Liaoning Province Knitwear and Home Textiles Import and Export Corporation in charge of operation from February 1991 to November 1991, general manager of Liaoning Province Knitwear and Home Textiles Import and Export Corporation from December 1991 to July 1993, chairman of Liaoning Cheng Da Group Ltd. from January 1997 to December 2017. Mr. Shang graduated from Dongbei University of Finance and Economics in Dalian in August 1977, majoring in international trade. Mr. Shang obtained the qualification of Senior Economist from Liaoning Provincial Department of Personnel in September 1993, the qualification of Senior International Business-Engineer from Liaoning Provincial Department of Personnel (now known as Liaoning Provincial Department of Human Resources and Social Security) in December 1994 and a senior management executive master of business administration degree (EMBA) from Dongbei University of Finance and Economics in June 2005.

Mr. Guo Jingyi has been appointed as non-executive director of the Company since October 2020. Mr. Guo Jingyi has been the chairman of Zhongshan Public Utilities Group Co., Ltd (a company listed on SZSE, stock code: 000685) since September 2020. His primary working experiences include: an employee of Zhongshan Environmental Protection Engineering Co., Ltd. (中山市環保工程有限公司) from July 1998 to May 2004; manager of Zhongshan Sanxiang Water Supply Co., Ltd. (中山市三鄉供水有限公司) from May 2004 to May 2008; manager of Zhongshan Water Supply Co., Ltd. Sanxiang branch from May 2008 to August 2008; deputy general manager and managing deputy general manager of Zhongshan Water Supply Co., Ltd. from August 2008 to November 2009; deputy general manager of water business department of Zhongshan Public Utilities Group Co., Ltd and general manager of Zhongshan Water Supply Co., Ltd. from November 2009 to February 2011; deputy general manager of Zhongshan Zhonghui Investment Group Company Limited, deputy general manager of water business department of Zhongshan Public Utilities Group Co., Ltd and general manager of Zhongshan Water Supply Co., Ltd. from February 2011 to July 2011; deputy general manager of Zhongshan Zhonghui Investment Group Company Limited from July 2011 to October 2013; general manager of Zhongshan Transportation Development Group Co., Ltd. from October 2013 to July 2019, during which he served as general manager of Zhongshan Rail Transit Co., Ltd. (中山市軌道交通有限公司) from August 2016 to April 2017, executive director of Zhongshan East Outer Ring Expressway Co., Ltd. (中山市東部外環高速公路有限公司) from November 2016 to February 2017, executive director of Zhongshan Transportation Development Investment Co., Ltd. (中山市交發投資有限公司) from April 2017 to January 2018, executive director and general manager of Zhongshan Rail Transit Co., Ltd. from April 2017 to July 2019, director and general manager of Zhongshan Rail Transit Co., Ltd. from July 2019 to August 2020. Mr. Guo Jingyi obtained a bachelor's degree in engineering from Wuyi University in June 1998 and completed in-service postgraduate in economics (economic management) majors in the Graduate School of the Party School of the Communist Party of China in July 2013.

***Independent Non-executive Directors***

Mr. Fan Lifu has been appointed as independent non-executive director of the Company since November 2018. Mr. Fan Lifu is currently a professor at the School of Finance of Dongbei University of Finance and Economics and director of the Research Department of Dongbei University of Finance and Economics. His primary working experience includes: teaching assistant at the School of Finance (former Department of Finance) of Dongbei University of Finance and Economics from April 1998 to December 2000; a lecturer at the School of Finance of Dongbei University of Finance and Economics from December 2000 to July 2002; an associate professor at the School of Finance of Dongbei University of Finance and Economics from July 2002 to July 2011; a visiting scholar of University of Reading in UK from January 2003 to January 2004; a deputy director of the Research Department of Dongbei University of Finance and Economics from December 2009 to December 2016; and a deputy dean of the School of Finance of Dongbei University of Finance and Economics from December 2016 to January 2019. Mr. Fan Lifu has been a professor at the School of Finance of Dongbei University of Finance and Economics since July 2011. Mr. Fan Lifu has been an independent director of Tieling Newcity Investment Holding (Group) Limited (a company listed on SZSE, stock code: 000809) since December 2017, director of the Research Department of Dongbei University of Finance and Economics since January 2019 and an independent director of AVIC Fund Management Co., Ltd. since December 2020. Mr. Fan Lifu obtained a bachelor's degree, a master's degree and a doctorate degree in economics from Dongbei University of Finance and Economics in July 1995, April 1998 and December 2009, respectively.

Mr. Hu Bin has been appointed as independent non-executive director of the Company since June 2020. Mr. Hu Bin has been the secretary of the Party Committee and deputy director of the Institute of Finance and Banking, Chinese Academy of Social Sciences since June 2020. His primary working experience includes: senior manager of CITIC Securities Company Limited (中信証券股份有限公司) from July 2002 to November 2003; director of the Law and Finance Research Office of the Institute of Finance and Banking, Chinese Academy of Social Sciences from August 2004 to March 2011, during which he was promoted as an associate researcher in August 2004 and as a researcher in December 2009; assistant to the director of the Institute of Finance and Banking, Chinese Academy of Social Sciences and director of the Law and Finance Research Office from March 2011 to August 2011; Secretary General of the Postdoctoral Management Committee of the Chinese Academy of Social Sciences and assistant to the director of the Institute of Finance and Banking from August 2011 to November 2013; Secretary General of the Postdoctoral Management Committee of the Chinese Academy of Social Sciences from November 2013 to March 2014; deputy director of the Institute of Finance and Banking, Chinese Academy of Social Sciences from March 2014 to March 2019; deputy secretary of the Party committee and deputy director of the Institute of Finance and Banking, Chinese Academy of Social Sciences from March 2019 to June 2020. Mr. Hu Bin obtained a master's degree and a doctorate degree from the Chinese Academy of Social Sciences in July 1999 and July 2002, respectively.

Ms. Leung Shek Ling Olivia has been appointed as independent non-executive director of the Company since June 2020. Ms. Leung Shek Ling Olivia has been the chief lecturer of the Faculty of Business and Economics of The University of Hong Kong since July 2011, the associate dean of the Faculty of Business and Economics of The University of Hong Kong since January 2020. Her primary working experience includes: associate professor of accounting at The City University of Hong Kong from August 2004 to June 2011; programme director of the International Business and Global Management Programme of The University of Hong Kong from June 2016 to October 2018 and assistant dean of the Faculty of Business and Economics of The University of Hong Kong from June 2016 to December 2019. Ms. Leung Shek Ling Olivia obtained a bachelor's degree from the University of British Columbia in Canada and a doctorate degree from The Chinese University of Hong Kong in June 1994 and June 2004, respectively.

Mr. Li Wenjing has been appointed as independent non-executive director of the Company since June 2020. Mr. Li Wenjing has been the professor of the Management School of Jinan University since October 2013, the dean of the Management School of Jinan University since March 2019. His primary working experience includes: lecturer at the Management School of Jinan University from July 2006 to September 2008; associate professor of the Management School of Jinan University from October 2008 to September 2013; deputy department head of the Accounting Department of the Management School of Jinan University from July 2012 to June 2016; department head of the Accounting Department of the Management School of Jinan University from July 2016 to July 2020. Mr. Li Wenjing served as an independent director of Midea Group Co., Ltd. (美的集團股份有限公司) (a company listed on SZSE, stock code: 000333) from March 2013 to September 2018, an independent director of Guangzhou Devotion Thermal Technology Co., Ltd. (廣州迪森熱能技術股份有限公司) (a company listed on SZSE, stock code: 300335) from December 2015 to April 2019, an independent director of Longse Technology Limited (長視科技股份有限公司) from December 2016 to August 2020, an independent director of Shenzhen Xunfang Technologies Co., Ltd. (深圳市訊方技術股份有限公司) from May 2017 to May 2020, an independent director of By-Health Co., Ltd. (湯臣倍健股份有限公司) (a company listed on SZSE, stock code: 300146) from September 2017 to September 2020, an independent director of Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司) (a company listed on SZSE, stock code: 000532) from December 2017 to March 2021 and an external supervisor of China Guangfa Bank Co., Ltd. since June 2017. Mr. Li Wenjing obtained a bachelor's degree and a doctorate degree from Sun Yat-sen University in June 2001 and June 2006, respectively.



2. Supervisors

Mr. Zhou Xitai has been appointed as an employee representative supervisor and the chairman of supervisor committee since January 2022. His primary working experience includes: teaching assistant at the Guangzhou College of Traditional Chinese Medicine from July 1985 to October 1990, teaching assistant at the Party School of the Guangdong Provincial Committee from October 1990 to December 1990, cadre at deputy section level and cadre at section level of the eighth office of the Guangdong Provincial Committee from December 1990 to July 1995, principal staff member of the Futures Regulatory Commission of Guangdong Province from July 1995 to July 1996, principal staff member and deputy head of the supervision department of the Guangdong Office of the China Securities Regulatory Commission from July 1996 to October 1998, deputy head of the supervision department, deputy director of the audit department and director of the first audit department of the Guangzhou City Securities Administration Office of the China Securities Regulatory Commission from October 1998 to February 2008, consultant of the legal department and director of the litigation review department of the China Securities Regulatory Commission from February 2008 to August 2010, member of the Party committee and deputy captain of the General Inspection Taskforce of the China Securities Regulatory Commission from August 2010 to April 2015, secretary of the Party committee and commissioner of the office for securities regulation in Shenzhen of the China Securities Regulatory Commission from April 2015 to January 2018, member of the Party committee and deputy general manager of Huazheng Asset Management Co., Ltd. (華證資產管理有限公司) from February 2018 to October 2019, member of the Party committee and proposed deputy general manager of Jiantou Zhongxin Asset Management Co., Ltd. (建投中信資產管理有限責任公司) from October 2019 to May 2020, and secretary of the Party committee of the Company from March 2021 to January 2022. Mr. Zhou Xitai has served as a member of the Party committee of Guangdong Non-public Economic Organizations since August 2021 and has served as deputy secretary of the Party committee, secretary of the discipline inspection commission of the Company since January 2022, and chairman of the labor union of the Company since February 2022. Mr. Zhou obtained a bachelor's degree in law from Central China Normal University in July 1985.

Mr. Lai Jianhuang has been appointed as supervisor of the Company since June 2020. Mr. Lai Jianhuang is currently the professor and supervisor for doctoral students in School of Computer Science, and chairman of the Academic Committee in Sun Yat-sen University (中山大學). His primary working experience includes: a teaching assistant and lecturer of the mathematics department of Sun Yat-sen University from June 1989 to June 1995; an associate professor of the mathematics department of Sun Yat-sen University from July 1995 to June 2002 and a professor and a supervisor for doctoral students in School of Information and School of Data and Computer Science (currently known as School of Computer Science) of Sun Yat-sen University since July 2002. Mr. Lai Jianhuang has been an independent director of PCI-Suntek Technology Co., Ltd. (佳都新太科技股份有限公司) (renamed as PCI Technology Group Co., Ltd (佳都科技集團股份有限公司) in April 2021, a company listed on SSE, stock code: 600728) since July 2019 and an independent director of Zhongxiaoyun Technology Co., Ltd. (中消雲科技股份有限公司) since January 2020. Mr. Lai Jianhuang obtained a bachelor's degree in mathematics (science) from Sun Yat-sen University in Guangzhou in July 1986, a master's degree in applied mathematics (science) from Sun Yat-sen University in July 1989 and a doctorate degree in basic mathematics (science) from Sun Yat-sen University in June 1999.

Mr. Xie Shisong has been appointed as supervisor of the Company since June 2020. Mr. Xie Shisong is currently a professor of the School of Law of Sun Yat-sen University and chairman of Institute of International Law. His primary working experience includes: a lecturer at the School of Law of Sun Yat-sen University from September 1991 to November 1993; an associate professor at the School of Law of Sun Yat-sen University from December 1993 to November 1996; a professor at the School of Law of Sun Yat-sen University since December 1996 and chairman of Institute of International Law of the School of Law of Sun Yat-sen University since March 1992. Mr. Xie Shisong has also been the vice president of China Society of Private International Law since September 2003, an arbitrator of China International Economic and Trade Arbitration Commission since November 1999 and a committee member of the expert advisory committee of China International Economic and Trade Arbitration Commission since January 2008. Mr. Xie Shisong was an independent director of E Fund Management Co., Ltd. from December 2002 to April 2013, independent director of Guangdong China Sunshine Media Co., Ltd. (廣東九州陽光傳媒股份有限公司)(renamed as Guangdong Guangzhou Daily Media Co., Ltd. (廣東廣州日報傳媒股份有限公司) in July 2012, a company listed on SZSE, stock code: 002181) from June 2007 to June 2013, independent director of Guangzhou Improve Medical Instruments Co., Ltd. (廣州陽普醫療科技股份有限公司)(a company listed on SZSE, stock code: 300030) from October 2010 to May 2017, independent director of Vtron Technologies Ltd. (廣東威創視訊科技股份有限公司)(renamed as Vtron Group Co., Ltd. (威創集團股份有限公司) in January 2017, a company listed on SZSE, stock code: 002308) from December 2013 to August 2020, independent director of Guangdong Advertising Co., Ltd. (廣東省廣告股份有限公司)(renamed as Guangdong Advertising Group Co., Ltd. (廣東省廣告集團股份有限公司) in June 2015, a company listed on SZSE, stock code: 002400) from January 2014 to January 2020, independent director of Golden Eagle Fund Management Co., Ltd. from September 2014 to January 2018, independent director of Zhuhai Wanlida Electric Co., Ltd (renamed as Ninestar Corporation (納思達股份有限公司) in May 2017, a company listed on SZSE, stock code: 002180) from October 2014 to September 2021, independent director of Guangdong Homa Appliances Co., Ltd. (廣東奧馬電器股份有限公司)(a company listed on SZSE, stock code: 002668) from November 2014 to December 2015, independent director of Guangxi Wuzhou Zhongheng Group Co., Ltd. (廣西梧州中恒集團股份有限公司)(a company listed on SSE, stock code: 600252) from December 2016 to January 2020, independent director of Guangzhou Goaland Energy Conservation Tech. Co., Ltd. (廣州高瀾節能技術股份有限公司)(a company listed on SZSE, stock code: 300499) since May 2017 and independent director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司)(a company listed on SZSE, stock code: 000987) since September 2020. Mr. Xie Shisong obtained a bachelor's degree in international law from Wuhan University in Wuhan in July 1985, a master's degree in international law from Wuhan University in July 1988, and a doctorate degree in international law from Wuhan University in July 1991.

Ms. Lu Xin has been appointed as supervisor of the Company since June 2020. Ms. Lu Xin is currently a professor and supervisor for postgraduate students at Accounting Department in School of Management and the deputy head of Research Center of Management Accounting in Jinan University (暨南大學). Her primary working experience includes: teaching at the School of Economics and Management in Dalian University (大連大學) from July 1989 to December 2003, during which she served as the lecturer from August 1992 to July 1998, the associate professor



from August 1998 to December 2003. She served as the associate professor at Accounting Department of School of Management in Jinan University from January 2004 to September 2013; concurrently serving as the deputy director of the Audit Department in Jinan University from May 2013 to January 2016, the professor at Accounting Department of School of Management in Jinan University since October 2013, the supervisor for postgraduate students at Accounting Department in School of Management in Jinan University since October 2005 and the deputy head of the Research Center of Management Accounting in Jinan University since January 2014. Ms. Lu Xin was the independent director of Gree Electric Appliances, Inc. of Zhuhai (珠海格力電器股份有限公司) (a company listed on SZSE, stock code: 000651) from June 2015 to January 2019, the independent director of TCL Technology Group Corporation (TCL 科技集團股份有限公司)(a company listed on SZSE, stock code: 000100, previously known as TCL Corporation (TCL 集團股份有限公司)) from September 2014 to November 2020, the independent director of Kingfa Sci. & Tech. Co., Ltd. (金發科技股份有限公司)(a company listed on SSE, stock code: 600143) from May 2014 to January 2021, the independent director of Guangdong Evergreen Feed Industry Co., Ltd. (廣東恒興飼料實業股份有限公司) from July 2018 to July 2021, the independent director of Medprin Regenerative Medical Technologies Co., Ltd. (廣州邁普再生醫學科技股份有限公司)(a company listed on SZSE, stock code: 301033) since November 2018 and the independent director of PCI-Suntek Technology Co., Ltd. (佳都新太科技股份有限公司) (renamed as PCI Technology Group Co., Ltd (佳都科技集團股份有限公司) in April 2021, a company listed on SSE, stock code: 600728) since July 2019, the independent director of Guangdong Shengyi Sci. Tech Co., Ltd (廣東生益科技股份有限公司)(a company listed on SSE, stock code: 600183) since April 2021, the independent director of Guangdong Homa Appliances Co., Ltd. (廣東奧馬電器股份有限公司)(a company listed on SSE, stock code: 002668) since April 2021. Ms. Lu Xin obtained a bachelor's degree in economics from Dongbei University of Finance and Economics in July 1986, a master's degree in economics from Dongbei University of Finance and Economics in July 1989, and a doctorate degree in business administration from Renmin University of China in July 2003.

Mr. Cheng Huaiyuan has been appointed as employee representative supervisor of the Company since February 2010. His primary working experience includes: employee, deputy director of the process and equipment department of Sino Pharmengin Corporation Wuhan Pharmaceuticals Design Institution, which is principally engaged in the design and general contracting of pharmaceutical engineering, from August 1988 to June 1999, research fellow of the development research Center and deputy manager of the human resources department of the Company from June 1999 to March 2003, general manager of human resources department of GF Huafu Securities Co. Ltd. from March 2003 to December 2003, shareholder supervisor of GF Huafu Securities Co. Ltd. from May 2003 to March 2004 and deputy general manager of the party-public relations department from January 2004 to January 2010 (being responsible for overall work). Mr. Cheng Huaiyuan has been the general manager of the party-public relations department since January 2010 and general vice president of the labor union of the Company since January 2004. Mr. Cheng Huaiyuan obtained a bachelor's degree in engineering from Huazhong University of Technology (now known as Huazhong University of Science and Technology) in July 1988 and a master's degree in management from Wuhan University in June 1999. Mr. Cheng Huaiyuan obtained the qualification of senior economist from Guangdong Provincial Department of Personnel (now known as Guangdong Provincial Department of Human Resources and Social Security) in February 2002.

3. Senior management

The brief biographies of Mr. Lin Chuanhui, Ms. Sun Xiaoyan and Mr. Qin Li are set out in “1. Directors” in this section.

Mr. Wu Jifu has been appointed as a deputy general manager of the Company since May 2014. His primary working experience includes: lecturer of accounting department of the school of economics at Heilongjiang University from July 1987 to July 1993, deputy head and head of the accountancy department of the school of economics at Heilongjiang University from July 1993 to July 1995 and July 1995 to October 1997, respectively, deputy director of the Audit Department of the Provincial Securities Supervision and Administration Office of the Heilongjiang Bureau of the CSRC from October 1997 to November 1998, deputy director of the Audit Department and director of the General Office of the Office of the Commissioner of the CSRC in Harbin from November 1998 to February 2004, director of the General Office of the Heilongjiang Bureau of the CSRC from March 2004 to February 2006, director of the supervision department of the Heilongjiang Bureau of the CSRC from March 2006 to July 2008, and supervisor of GF Asset Management from January 2014 to August 2017, and director of GFHK from August 2013 to May 2019. He has been the chief compliance officer of the Company from July 2008 to July 2021, the chief representative of our representative office in Beijing from July 2021 to January 2022. Mr. Wu Jifu obtained a bachelor's degree in economics from Heilongjiang University in July 1987 and a master's degree in economics from Heilongjiang University in June 1998.

Mr. Zhang Wei has been appointed as a deputy general manager of the Company since May 2014. His primary working experience includes: treasury manager of the trust fund department of Anhui International Trust & Investment Company from July 1998 to June 2002, business manager of our investment banking department of the Company from July 2008 to February 2009, deputy general manager of the debt underwriting department of the Company from February 2009 to January 2010, the general manager of the debt underwriting department of the Company from January 2010 to March 2013 (he concurrently served as deputy general manager of investment banking business management headquarters from January 2010 to February 2011 and general manager of fixed income headquarters from February 2011 to May 2012), co-general manager of investment banking department of the headquarters from April 2013 to June 2014, he served as assistant to general manager of the Company from January 2011 to August 2014, the chairman of GF Asset Management from August 2014 to May 2017, and chairman of Guangfa Hexin Industrial Investment Management Company Limited* (廣發合信產業投資管理有限公司) from August 2015 to October 2019; Mr. Zhang Wei has been a director of China Securities Credit Investment Co., Ltd.(中證信用增進股份有限公司) since May 2015 and a director of GFHK and chairman of GFFL since June 2015. Mr. Zhang Wei obtained a bachelor's degree in economics from Anhui University in June 1998, a master's degree in Economics from Fudan University in June 2005 and a doctorate degree in economics from Renmin University of China in July 2008.



Mr. Yi Yangfang has been appointed as deputy general manager of the Company since July 2021. His primary working experience includes: teacher of The Second Middle School of Yongxiu County, Jiangxi Province from August 1992 to February 1993, member of investment promotion and development bureau of Yongxiu County, Jiangxi Province from March 1993 to August 1994, salesman and deputy manager the Company's investment bank headquarters, investment wealth management headquarters and investment self-support department from January 1997 to November 2002, member of the preparatory team of GF Fund from November 2002 to August 2003, officer of investment management department of GF Fund from August 2003 to May 2005, fund manager of GF Fund from December 2003 to February 2020, general manager of investment management department of GF Fund from May 2005 to April 2008, assistant general manager of GF Fund from September 2006 to April 2008, investment director of GF Fund from April 2008 to July 2021(during the period, he served as director of GF International Investment Management Limited from December 2010 to July 2021), deputy general manager of GF Fund from August 2011 to February 2019(during the period, he served as director of Ruiyuan Capital Asset Management Co., Ltd from June 2013 to November 2018), executive deputy general manager of GF Fund from February 2019 to July 2021(during the period, he served as chairman of board and vice chairman of GF International Investment Management Limited from December 2020 to July 2021). Mr. Yi Yangfang obtained a bachelor's degree in Science from Jiangxi University in July 1992 and a master's degree in Economics from Shanghai University of Finance and Economics in January 1997.

Mr. Xin Zhiyun has been appointed as chief information officer of the Company since May 2019 and deputy general manager of the Company since July 2021. His primary working experience includes: software engineer and editor of the Higher Education Press from July 1995 to January 1998; principal staff member and deputy director of the Information Center of China Securities Regulatory Commission, deputy director of the general office, director-level consultant, director-level consultant (in charge) and director of the audit office of the institutional supervision department of China Securities Regulatory Commission successively from February 1998 to September 2008; member of CPC Committee, vice president, chief risk officer, chief compliance officer of Essence Securities Co., Ltd. from October 2008 to June 2018, concurrently served as director of Essence Capital Co., Ltd., of which concurrently served as finance manager of Essence Securities Co., Ltd. from August 2011 to September 2013, chief risk officer of the Company from June 2018 to July 2021, a director of GFHK since May 2019 and the chief representative of our representative office in Beijing since January 2022. Mr. Xin Zhiyun obtained a bachelor's degree in engineering from North China University of Technology in July 1992, a master's degree in education from Beijing Normal University in July 1995 and a doctorate degree in engineering from Tsinghua University in January 2008.

Mr. Li Qian has been appointed as deputy general manager of the Company since July 2021. His major work experience includes: trader of RMB interest rate trading office of Financial Market Department of the Industrial and Commercial Bank of China from July 2009 to August 2012, head of RMB interest rate trading office of Financial Market Department of the Industrial and Commercial Bank of China from August 2012 to November 2014 (responsible for the overall work of the office), deputy general manager of fixed income sales and trading department from November 2014 to March 2016 (responsible for the overall work of the department), general manager of fixed income sales and trading department since March 2016, general manager of management headquarters of the Company's securities investment business since October 2017 and assistant general manager of the Company from June 2020 to July 2021. Mr. Li Qian obtained a bachelor's degree in Economics from Renmin University of China in June 2004, a master's degree in Economics from Renmin University of China in June 2006 and a doctorate degree in Economics from Renmin University of China in June 2009.

Mr. Xu Youjun has been appointed as the secretary to the Board and a joint company secretary of the Company since April 2019, the deputy general manager and the chief compliance officer of the Company since July 2021. His major work experience includes: from July 1996 to August 1997, he was an employee of the development department of Guangzhou Transportation Real Estate Company (廣州交通房地產公司); from August 1997 to June 1998, he was an employee of the enterprise management department of Guangdong Zhujiang Investment Company (廣東珠江投資公司); from June 1998 to July 2004, he served as the manager of the investment banking department of Guangzhou Securities; from July 2004 to February 2006, he served as the business manager of the investment banking department of the Company; from February 2006 to February 2009, he served as the assistant to the general manager of the Hubei headquarters of the Company; from February 2009 to June 2015, he served as the assistant to the general manager of the investment banking department of the Company, the assistant to the general manager of the investment banking general management department, and the executive director of the mergers and acquisitions department of the Company; and since June 2015, he has served as the general manager of the office of the Board and the securities affairs representative of the Company, general manager of compliance and legal affairs department since January 2022. Mr. Xu Youjun obtained a bachelor's degree in engineering from Xiangtan University in Hunan in July 1993 and a master's degree in economics from Sun Yat-Sen University in June 1996.



Mr. Ouyang Xi has been appointed as a chief officer of the Company since December 2020. His primary working experience includes: library assistant at the Guangdong Mechanics College (now known as Guangdong University of Technology) from July 1989 to August 1992, deputy general manager and managing deputy general manager of the investment banking department of the Company from July 1995 to February 2001, general manager of the proprietary trading department of the Company from February 2001 to January 2003, standing deputy general manager of the investment banking head office of the Company from January 2003 to January 2004, chief financial officer of the Company from January 2004 to March 2006, deputy general manager of our Company from November 2004 to December 2020, deputy general manager and secretary of the Board of Directors of our Company from July 2005 to November 2009, director of GF Fund from March 2005 to June 2007 and chairman of GF Hexin Industry Investment Management Co., Ltd. (廣發合信產業投資管理有限公司) from October 2019 to December 2021. Mr. Ouyang Xi has been a director of GF Holdings (Hong Kong) Corporation Limited since September 2006. Mr. Ouyang Xi obtained a bachelor's degree in science from Wuhan University in July 1989 and a master's degree in economics from Jinan University in June 1995.

Mr. Wu Shunhu has been appointed as the Chief Risk Officer of the Company in January 2022. His primary working experience includes: teacher at the China Women's Executive Leadership Academy Shandong College (now known as "Shandong Women's University") from July 1992 to August 1995; deputy director, director, vice chairperson of training section of Securities Association of China from May 2000 to February 2005; director clerk of the Risk Management Office of the China Securities Regulatory Commission from March 2005 to June 2006; deputy senior staff of the Shanghai office of China Securities Regulatory Commission from July 2006 to December 2010; deputy secretary of the Party committee and manager of the Asset Management Department of Zhongshan Securities Co., Ltd. from January 2011 to July 2017; general manager and legal representative of Zhong Xin Huijin Equity Investment Fund Management (Shenzhen) Company Limited (中新匯金股權投資基金管理(深圳)有限公司) from August 2017 to December 2017; deputy general manager of GF Securities Assets Management from January 2018 to August 2018; chief risk officer of GF Securities Assets Management from June 2018 to February 2022; general manager of the compliance and legal affairs department of the Company from August 2018 to January 2022. Mr. Wu Shunhu has been served as compliance principal of GF Securities Assets Management since June 2018 and general manager of risk management department of the Company since January 2022. Mr. Wu Shunhu obtained a bachelor's degree in economics from Shandong University in July 1992, master's degree in economics from Shandong University in July 1998 and doctorate degree in economics from Renmin University of China in July 2001.

Mr. Cui Zhouhang has been appointed as the Human Resources Director of the Company in January 2022. His primary working experience includes: employee at CitiBank (China) Company Limited from July 2009 to August 2012; joined the Risk Management Department of the Company in August 2012; assistant to the general manager of the Risk Management Department of the Company from October 2015 to June 2018; deputy general manager of the Risk Management Department of the Company from June 2018 to October 2020; chief risk officer of GF Holdings (Hong Kong) Company Limited (廣發控股(香港)有限公司) since July 2019; deputy general manager of the Risk Management Department of the Company from October 2020 to December 2021, responsible for the overall management; and general manager of the Human Resources Department of the Company since December 2021. Mr. Cui Zhouhang obtained a double degree in science and economics from Peking University in July 2006, a master's degree in economics from Peking University in July 2009 and a master's degree in finance from Hong Kong University in December 2009.

POSITION HELD IN THE SHAREHOLDING COMPANIES

Name	Name of shareholding companies	Position held in the shareholding companies	Commencement date	End date	Remuneration received from shareholding companies
Li Xiulin	Jilin Aodong	Chairman	February 2000	Present	Yes
Shang Shuzhi	Liaoning Cheng Da	Chairman	January 1997	Present	Yes
Guo Jingyi	Zhongshan Public Utilities	Chairman	September 2020	Present	Yes



POSITION HELD IN OTHER COMPANIES

Name	Name of other companies	Position held in the other companies	Commencement date	End date	Remuneration received from other companies
Lin Chuanhui	China Securities Internet System Co., Ltd.	Director	December 2021	Present	No
Sun Xiaoyan	ECT	Supervisor	June 2018	Present	No
Qin Li	E Fund	Director	May 2012	Present	No
Fan Lifu	School of Finance of Dongbei University of Finance and Economics	Professor	July 2011	Present	Yes
	Research Department of Dongbei University of Finance and Economics	Department head	January 2019	Present	Yes
	Tieling Newcity Investment Holding (Group) Limited	Independent director	December 2017	Present	Yes
	AVIC Fund Management Co., Ltd.	Independent director	December 2020	Present	Yes
Hu Bin	Institute of Finance and Banking, Chinese Academy of Social Sciences	Secretary of the Party committee and deputy director	June 2020	Present	Yes
Leung Shek Ling Olivia	Faculty of Business and Economics of The University of Hong Kong	Associate dean, chief lecturer	January 2020	Present	Yes
Li Wenjing	Management School of Jinan University	Dean, Professor	March 2019	Present	Yes
	Accounting Department of the Management School of Jinan University	Department head	July 2016	Present	Yes
	China Guangfa Bank Co., Ltd.	External supervisor	June 2017	Present	Yes
	Zhuhai Huajin Capital Co., Ltd.	Independent director	December 2017	March 2021	Yes
Lai Jianhuang	School of Computer Science of Sun Yat-sen University	Professor	July 2002	Present	Yes
	PCI-Suntek Technology Co., Ltd.	Independent director	July 2019	Present	Yes
	Zhongxiaoyun Technology Co., Ltd.	Independent director	January 2020	Present	Yes

Name	Name of other companies	Position held in the other companies	Commencement date	End date	Remuneration received from other companies
Xie Shisong	School of Law of Sun Yat-sen University	Professor	December 1996	Present	Yes
	Ninestar Corporation	Independent director	October 2014	September 2021	Yes
	Guangzhou Goaland Energy Conservation Tech. Co., Ltd.	Independent director	May 2017	Present	Yes
	Guangzhou Yuexiu Financial Holdings Group Co., Ltd.	Independent director	September 2020	Present	Yes
Lu Xin	School of Management of Jinan University	Professor	October 2013	Present	Yes
	Research Center of Management Accounting in Jinan University	Deputy head	January 2014	Present	Yes
	Kingfa Sci. & Tech. Co., Ltd.	Independent director	May 2014	January 2021	Yes
	Guangdong Evergreen Feed Industry Co., Ltd.	Independent director	July 2018	July 2021	Yes
	Medprin Regenerative Medical Technologies Co., Ltd.	Independent director	November 2018	Present	Yes
	PCI-Suntek Technology Co., Ltd.	Independent director	July 2019	Present	Yes
	Guangdong Shengyi Sci. Tech Co., Ltd	Independent director	April 2021	Present	Yes
	Guangdong Homa Appliances Co., Ltd.	Independent director	April 2021	Present	Yes
Zhang Wei	China Securities Credit Investment Co., Ltd.	Director	May 2015	Present	No

Penalties imposed by the securities regulatory authority on the current and resigned directors, supervisors and senior management of the Company during the Reporting Period for the last three years.

N/A



3. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. *Decision-making process for remuneration of Directors, Supervisors and senior management*

The Directors and Supervisors of the Company who do not have contractual labor relationship with the Company enjoy allowances. Those who have contractual labor relationship with the Company receive remuneration according to the Company's policies. The general meeting, the Board of Directors, the Supervisory Committee, the Remuneration and Appraisal Committee of the Board and Independent Directors perform their respective responsibilities in this decision-making process according to the relevant requirements.

2. *Basis for determining the remuneration of Directors, Supervisors and senior management*

The remuneration of Directors, Supervisors and senior management shall be determined depending on the Company's actual situation and their positions and performance by reference to the standards of similar companies in the finance industry.

3. *Payment of remuneration of Directors, Supervisors and senior management*

The remuneration will be paid regularly to their personal accounts after deducting income tax on behalf of them according to the Company's remuneration policies.

The Measures on Performance Assessment and Remuneration Management for Business Managers of the Company requires that: "payment of more than 40% of annual performance-based remuneration for business managers of the Company shall be deferred for a period of at least three years." The Board of the Company shall formulate and implement the specific plan for deferred payment of annual performance-based remuneration of business managers according to the requirements of these measures on an annual basis. According to these requirements, the remuneration of our Executive Directors, employee representative Supervisors and senior management consists of the remuneration accrued and paid for 2021 and the deferred remuneration for the prior years of the Company. During the Reporting Period, the deferred remuneration before tax of the above-mentioned persons for the period of serving as director, supervisor and senior management for the prior years was as follows: Lin Chuanhui was nil; Sun Xiaoyan was RMB1.4613 million; Qin Li was RMB1.4116 million; Wu Jifu was RMB1.4565 million; Zhang Wei was RMB1.4065 million; Yi Yangfang was nil; Xin Zhiyun was RMB1.5014 million; Li Qian was nil; Xu Youjun was RMB1.4967 million; Ouyang Xi was RMB1.4087 million; Zhang Shaohua was RMB1.5014 million; Cheng Huaiyuan was RMB2.3290 million; Sun Shuming was RMB2.4262 million; Luo Binhua was RMB2.3156 million; Yang Long was RMB2.3156 million; Kong Weicheng was nil. The deferred remuneration before tax of non-executive directors, independent non-executive directors and shareholder representative supervisors of the Company for the prior years of the Company was nil.

4. *Appraisal of Directors, Supervisors and Senior Management Personnel*

- 1) The duty performance appraisal of the Directors of the Company is composed of three parts, including self-evaluation by the Directors, appraisal by the Remuneration and Appraisal Committee of the Board, and deliberation and confirmation by the Board. When the Remuneration and Appraisal Committee of the Board and the Board of Directors deliberate on the duty performance of each Director, the Director being appraised shall abstain from voting.

Specific steps for appraisal on Directors' duty performance are as follows:

- ① Directors' self-evaluation: Directors conduct self-evaluation on their respective annual performance in accordance with the Form of Self-evaluation on Directors' Duty Performance (《董事履職自我評價表》) with the self-evaluation results of being competent or incompetent after the review and confirmation by the Remuneration and Appraisal Committee of the Board;
- ② Appraisal by the Remuneration and Appraisal Committee of the Board: The appraisal and evaluation on Directors' duty performance by the Remuneration and Appraisal Committee of the Board is determined the Remuneration and Appraisal Committee of the Board. The office of the Board together with relevant departments collect the annual duty performance of Directors and assist the Remuneration and Appraisal Committee of the Board in evaluating the Form of Appraisal of Directors' Duty Performance (《董事履職考評表》) and in checking the Checklist for Compliance of Directors' Duty Performance (《董事履職合規性核對表》) based on the annual duty performance of Directors with the self-appraisal results of being competent or incompetent;

When both self-appraisal results of performance and the appraisal results of the duty performance are competent after the review by the Remuneration and Appraisal Committee of the Board and there is no "No" in the checking results of Checklist for Compliance of Directors' Duty Performance (《董事履職合規性核對表》), the appraisal results of annual performance will be competent; or it will be incompetent.

When the Remuneration and Appraisal Committee of the Board deliberate on the duty performance of each Director, the Director being appraised shall abstain from voting.



- ③ Appraisal by the Board: The final appraisal results of Directors shall be determined by the Board. The procedures of duty performance appraisal for the executive Directors of the Company shall be in compliance with the other relevant requirements such as the human resource management policies and the Performance Appraisal and Remuneration Management Regulations for the Operating Management, the Director being appraised shall abstain from voting.

According to the Resolution on Appraisal of Directors' Duty Performance in 2021 considered and approved by the Board, the appraisal results of Directors are as follows:

The appraisal result of Lin Chuanhui of being competent is approved; The appraisal result of Li Xiulin of being competent is approved; The appraisal result of Shang Shuzhi of being competent is approved; The appraisal result of Guo Jingyi of being competent is approved; The appraisal result of Sun Xiaoyan of being competent is approved; The appraisal result of Qin Li of being competent is approved; The appraisal result of Fan Lifu of being competent is approved; The appraisal result of Hu Bin of being competent is approved; The appraisal result of Leung Shek Ling Olivia of being competent is approved; The appraisal result of Li Wenjing of being competent is approved.

- 2) The appraisal on supervisors' performance includes supervisor's self-evaluation, peer appraisal among supervisors, democratic appraisal by the employee representatives meeting and appraisal by the Supervisory Committee.

Specific steps for appraisal on supervisors' duty performance are as follows:

- ① supervisors' self-evaluation: Supervisors conduct self-evaluation on their respective annual duty performance in accordance with the Form of Self-evaluation on Supervisors' Duty Performance 《監事履職自評表》 with the self-evaluation results of being competent, basically competent or incompetent;
- ② peer appraisal among supervisors: Supervisors conduct peer appraisal on other supervisors' annual duty performance and give a score for actual duty performance of other supervisors in accordance with the Form for Peer Appraisal of Supervisors. The Supervisory Committee determines the results of peer appraisal according to the rules of peer appraisal with appraisal results of being competent, basically competent or incompetent;
- ③ democratic appraisal of the employee representative supervisors by the employee representatives meeting: the employee representative supervisors shall report their annual duty performance at the employee representative meeting and accept the democratic appraisal by the employee representatives. The democratic appraisal shall determine the results of the appraisal through registered vote with appraisal results of being competent, basically competent or incompetent;

- ④ appraisal by the Supervisory Committee: The appraisal by the Supervisory Committee is determined by the Supervisory Committee. The office of the Supervisory Committee together with relevant departments collect the annual duty performance of supervisors and assist the Supervisory Committee in checking the Form of Appraisal of Supervisors' Duty Performance (《監事履職評價表》) based on the annual duty performance of supervisors;
- ⑤ appraisal results of supervisors are considered and confirmed by the Supervisory Committee: The Supervisory Committee conducts appraisal on the annual duty performance of relevant supervisors. The Supervisory Committee considers the appraisal results on annual duty performance of supervisors (competent, basically competent or incompetent) according to the self-appraisal results of each supervisor, results of peer appraisal, results of democratic appraisal by the employee representatives meeting and results of consistency checking of the Form of Appraisal of Supervisors' Duty Performance (《監事履職評價表》) and rules under the Duty Performance Supervision and Assessment Implementation Plan of the Supervisory Committee of GF Securities for Supervisors for the year of 2021 (《廣發證券監事會對監事2021年度履職監督評價實施方案》);
- ⑥ When the Supervisory Committee considers the duty performance of each supervisor, the supervisors concerned shall abstain from voting.

According to the Resolution on Appraisal of Supervisors' Duty Performance in 2021 considered and approved by the Supervisory Committee, the appraisal results of Supervisors are as follows:

The appraisal result of Zhang Shaohua of being competent is approved; The appraisal result of Cheng Huaiyuan of being competent is approved; The appraisal result of Lai Jianhuang of being competent is approved; The appraisal result of Xie Shisong of being competent is approved; The appraisal result of Lu Xin of being competent is approved.

The human resource management system of the Company and the relevant requirements are applicable to the appraisal and remuneration of employee representative supervisor. The Performance Appraisal and Remuneration Management Regulations for Chairman of Supervisory Committee of the Company is applicable to the Chairman of Supervisory Committee of the Company.

- (3) The procedures of performance assessment of the operating management of the Company were conducted in compliance with other relevant requirements such as human resource management system and the Performance Appraisal and Remuneration Management Regulations for the Operating Management of the Company. The specific appraisal plan is that the Board of the Company will give corresponding performance-based salary according to the business performance of the Company and the performance-based salary of the operating management will be distributed according to the annual appraisal results. The distribution plan shall have independent opinion of the Independent Directors and have written comments of the Remuneration and Appraisal Committee. Meanwhile, the procedures of performance assessment of the chief compliance officer of the Company were conducted in compliance with the requirements under the Duty Performance Appraisal and Remuneration Management Regulations for chief compliance officer (《合規總監履職考核與薪酬管理辦法》).



(5) Remuneration of Directors, Supervisors and senior management during the Reporting Period

Unit: RMB ten thousand

Name	Position	Sex	Age	Status	The total remuneration before tax received from the Company	
					Remuneration received from related parties of the Company	
Lin Chuanhui	Executive Director, Chairman, general manager	Male	58	Current	197.87	No
Li Xiulin	Non-executive Director	Male	69	Current	18.00	Yes
Shang Shuzhi	Non-executive Director	Male	70	Current	18.00	Yes
Guo Jingyi	Non-executive Director	Male	47	Current	0.00	Yes
Sun Xiaoyan	Executive Director, deputy general manager, chief financial officer	Female	50	Current	220.88	No
Qin Li	Executive Director, chief officer of the Company	Male	54	Current	208.07	No
Fan Lifu	Independent Non-executive Director	Male	49	Current	27.00	Yes
Hu Bin	Independent Non-executive Director	Male	51	Current	27.00	Yes
Leung Shek Ling Olivia	Independent Non-executive Director	Female	50	Current	27.00	Yes
Li Wenjing	Independent Non-executive Director	Male	43	Current	27.00	Yes
Lai Jianhuang	Supervisor	Male	58	Current	15.00	Yes
Xie Shisong	Supervisor	Male	59	Current	15.00	Yes
Lu Xin	Supervisor	Female	58	Current	15.00	Yes
Cheng Huaiyuan	Employee representative Supervisor	Male	56	Current	129.13	No
Wu Jifu	Deputy general manager	Male	57	Current	213.65	No
Zhang Wei	Deputy general manager	Male	46	Current	219.59	No
Yi Yangfang	Deputy general manager	Male	52	Current	48.52	No
Xin Zhiyun	Deputy general manager, chief information officer	Male	52	Current	202.38	No
Li Qian	Deputy general manager	Male	37	Current	124.01	No
Xu Youjun	Deputy general manager, chief compliance officer, Secretary to the Board, joint company secretary	Male	50	Current	199.41	No
Ouyang Xi	Chief officer of the Company	Male	54	Current	225.63	No

Name	Position	Sex	Age	Status	The total remuneration before tax received from the Company	Remuneration received from related parties of the Company
Sun Shuming	Executive Director, Chairman	Male	60	Resigned	129.51	No
Luo Binhua	Deputy general manager	Male	57	Resigned	121.47	No
Yang Long	Deputy general manager	Male	58	Resigned	127.61	No
Zhang Shaohua	Chairman of Supervisory Committee, employee representative Supervisor	Male	56	Resigned	204.18	No
Kong Weicheng	Chief risk officer	Male	48	Resigned	84.25	No
Total	—	—	—	—	2,845.16	—

Notes: 1. The Company has no payment of compensation in forms other than cash;

Notes: 2. The total remuneration before tax received from the Company represents the remuneration accrued and distributed by the Company attributable to 2021;

Notes: 3. The remuneration of the abovementioned personnel during the Reporting Period is the remuneration received during the period of serving as director, supervisor and senior management;

Notes: 4. See relevant information in notes to the auditors' report for the total remuneration to the key management who served the Company during the Reporting Period when such total remuneration was provided.

VI. BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE MEETINGS CONVENED DURING THE REPORTING PERIOD

In respect of Directors, Board of Directors and the management team

The existing Articles of Association and the Rules of Procedure for the Board of Directors of the Company have provided for the qualification, obligations and responsibilities of Directors, the authority of the Board of Directors, the convening, voting and resolutions of the meeting of the Board of Directors, etc., which ensure the standard and effective operation of the Board of Directors.



1. *The composition of the Board*

The Company appoints and replaces Directors strictly in accordance with the relevant regulations and the provisions of its Articles of Association of the Company. The Board of Directors shall exercise its power and functions according to laws, ensuring that the convening, voting, resolutions of the Board of Directors comply with the Company Law, the Articles of Association of the Company and other regulations. The Board of Directors of the Company comprises 11 Directors, among whom, four are Executive Directors, three are Non-Executive Directors and four are Independent Non-Executive Directors. The number of Independent Non-Executive Directors exceeds one-third of the total number of the Company's Directors.

Shareholder(s) severally or jointly holding 3% or more shares of the Company may nominate candidates for directors and supervisors to the general meeting. If the number of directors nominated by any single shareholder exceeds 1/2 or more of the number of directors, the number of supervisors nominated by such shareholder shall not exceed 1/3 of the number of supervisors. The Directors shall be elected or replaced at the general meeting and their term of office shall be three years. The Directors shall perform their official duties since the adoption of the resolution of the shareholders. Upon the expiry of the term, a Director shall be eligible for re-election and reappointment. Independent Non-Executive Directors shall have the same term of office as the other Directors. The term of office of an Independent Non-Executive Director is renewable upon re-election when it expires, but no Independent Non-Executive Director shall serve for more than two sessions. Ordinary resolution for the election of Directors at a general meeting shall be passed by one half or more of the voting rights held by the Shareholders (including their proxies) attending the general meeting.

Independent non-executive Directors shall be independent as required under Rule 3.13 of the Hong Kong Listing Rules. As of the date of this annual report, the Company has received conformation in writing from all Independent Non-Executive Directors on their independence. The Company has confirmed their independence based on the aforesaid confirmation and the relevant information available to the Board.

2. *Duties of the Board of Directors*

The Board of Directors is the decision-making body of the Company, responsible for the general meeting of shareholders, and shall discharge their duties in accordance with laws, regulations, the Articles of Association of the Company and the listing rules where our Shares are listed. The Board of Directors is responsible for the formulation of the Company's strategies and corporate governance policies, implementation of risk management and internal control as well as corporate finance decisions.

According to the Articles of Association of the Company, the Board shall exercise the following functions and powers: to convene general meetings and report to general meetings; to execute resolutions of general meetings; to resolve on the Company's business plans and investment plans; to formulate the Company's long-term and mid-term development plans; to prepare the annual financial budgets and final accounting plans of the Company; to prepare the profit distribution plan and loss makeup plan of the Company; to prepare plans for the increase or decrease of the registered capital of the Company, the issuance of bonds or other securities and listing plans; to formulate plans for material acquisitions, purchase of shares of the Company, merger, division, dissolution or transformation of the Company; to decide on external investment, acquisition and disposal of assets, asset pledge, external guarantee, consigned financial management, connected transactions, etc. of the Company within the authority granted by the general meeting; to resolve on the establishment of internal management organizations of the Company; to appoint or dismiss the Company's general manager, secretary of the Board, chief compliance officer, chief risk officer, chief information officer and chief audit officer as nominated by the Chairman of the Board; to appoint or dismiss the Company's vice general manager, chief financial officer and other senior management as nominated by the general manager and determine their remuneration and rewards and penalties; to set up the basic management system of the Company; to formulate the proposals for any amendment to the Articles of Association; to manage the disclosure of information by the Company; to propose to general meetings the appointment or change of the accounting firm acting as the auditors of the Company; to review the work report of the general manager of the Company and examine the work conducted by the general manager; to monitor, review and evaluate the establishment and implementation of the Company's various internal control systems and to be responsible for the effectiveness of the internal control; to determine the compliance management objectives of the Company, assume responsibility for the effectiveness of the compliance management, evaluate the effectiveness of the compliance management, and supervise and solve the problems existing in the compliance management; to ensure the independence of the chief compliance officer, guarantee the independent communication between the chief compliance officer and the Board and safeguard the smooth reporting between the chief compliance officer and the regulatory authority; to review the annual compliance report and monitor the implementation of the compliance policies; to assume the final responsibility for overall risk management, fulfil, examine and approve significant risk management policies including risk preference, review the Company's regular risk assessment report and other corresponding duties; to evaluate and determine the nature and extent of risks that the Company is willing to take in achieving its strategic objectives and ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board of Directors shall supervise the design, implementation and monitoring of the risk management and internal control systems by the management and the management shall provide the Board of Directors confirmations on the effectiveness of such systems. The Board of Directors shall determine to acquire the shares of the Company under the circumstances set out under Article 27(3), (5) or (6) of the Articles of Association; and to be responsible for reviewing the Company's information technology management objectives and assuming responsibility for the effectiveness of information technology management; review the information technology strategy to ensure its consistency with the Company's development strategy, risk management strategy and capital strength; establish manpower and funding support plans for information technology; evaluate the overall effectiveness and efficiency of the annual information technology management; exercise other functions and powers as conferred by laws, administrative regulations, departmental rules or the Articles of Association.



According to the resolution of the second extraordinary general meeting of the Company for the year of 2014, the Company purchased liability insurance for its Directors, Supervisors and senior management to provide protection for possible compensation liability in the course of performing their duties and to promote their full performance of duties.

3. Major initiatives on corporate governance by the Board of Directors

In terms of corporate governance, the Board or its subordinated specific committees shall perform the following responsibilities: to formulate and review the policy and practice of corporate governance, and make proposals to the Board; to review and monitor training and continued professional development of the Directors and senior management personnel; to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; and to review the issuer's compliance with the Code, and the disclosure in the Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules. During the Reporting Period, the Board of Directors of the Company carried out the following major initiatives on corporate governance:

- (1) Pursuant to the Regulations on the Integrity Practices of Securities and Futures Operating Institutions and Their Staff issued by the CSRC, the Company has formulated the Management Measures for Integrity Practices, which clearly defines the objectives of the Management of Integrity Practices of the Board of Directors, assumes the responsibility for the effectiveness of the management of integrity practices, and strengthens the management of integrity practices.
- (2) In accordance with the Securities Law, the Administrative Measures on Information Disclosure of Listed Companies, the Rules for the Listing of Shares of the Shenzhen Stock Exchange, the Guidelines on the Contents and Forms of Annual Reports of Securities Companies, the Rules for the Listing of Securities on The Stock Exchange of Hong Kong Limited, and other relevant laws and regulations and normative documents, and the provisions of the Articles of Association of the Company and Rules of Procedures for the Supervisory Committee, the Supervisory Committee of the Company has formulated the Guidelines for Examination of Periodic Reports of the Supervisory Committee, which regulates the examination of periodic reports of the Supervisory Committee, and promotes information disclosure in an authentic, accurate, complete, timely and fair manner.
- (3) The Company provides professional training to its Directors, Supervisors and senior management for their performance of duties. In 2021, the Company actively facilitated directors, supervisors and senior management to participate in various trainings organized by regulatory authorities, listed company associations and industry associations; sent the laws, regulations, guidelines, notices, special editions issued by the regulatory authorities to the Directors, Supervisors and senior management for their serious studying in a timely manner, and provided the Monthly Newsletters of the Directors and Supervisors (《董監事通訊》) that are compiled by the Company so as to improve their understanding of the development of the securities industry and the Company's business and to facilitate the performance of duties by the Company's Directors, Supervisors and senior management.

Before the publication of this report, the Board has reviewed the Corporate Governance section herein (the Corporate Governance Report), and the Board is of the view that this Corporate Governance Report complies with the relevant requirements of the Hong Kong Listing Rules.

4. *Duties of the management team*

The Company implements the general-manager responsibility system under the leadership of the Board of Directors. The Articles of Association of the Company clearly delineate the respective responsibilities of the Board of Directors and the management. The management shall be accountable for the daily business operations of the Company and shall be responsible for organizing the implementation of the Board's resolutions, the Company's annual business plans and investment plans, preparing the plan for the establishment of internal management of the Company, preparing the basic management system of the Company, deciding the appointment or removal of executives other than those appointed or removed by the Board, and exercising other functions and powers conferred in the Articles of Association and by the Board. If necessary, the Board of Directors could delegate its management and administrative authority to the management team, and provide clear guidelines on the authorized acts. Senior management staff shall be appointed or removed by the Board. They serve for a term of three years and may serve consecutive terms upon reappointment.

5. *Chairman and General Manager*

The Articles of Association, Rules of Procedures for the Board of Directors, Terms of Reference for the Chairman and Terms of Reference for the General Manager of the Company clearly delineate the duties of the Chairman and the General Manager. The Chairman is the legal representative of the Company, who leads the daily operations of the Board, and monitors the implementation of resolutions made by the Board to ensure efficient and orderly operations of the Board. The General Manager of the Company presides over the daily operation and management of the Company, organizes the implementation of the resolutions of the Board of Directors and reports to the Board of Directors. According to the code provision C.2.1 in the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Since July 22, 2021, Mr. Lin Chuanhui, the Chairman of the Company, has also served as the General Manager of the Company, which has improved the implementation of the Company's development strategy and promoted communication between the Board of Directors and senior management. Meanwhile, as all decisions of the Board of Directors of the Company are required to be reviewed and approved by the Board of Directors, during the Reporting Period, there were 7 non-executive Directors among the 10 then members of the Board of Directors of the Company, including four independent non-executive Directors who complied with the listing rules of the two places, which are sufficient to ensure a balance of power and authority in the operation of the Board of Directors.



6. The Board meetings during the Reporting Period

Session of meeting	Convening date	Disclosure date	Status of resolutions
The Twelfth Meeting of the Tenth Session of the Board of Directors	January 6, 2021	January 7, 2021	All the resolutions were passed
The Thirteenth Meeting of the Tenth Session of the Board of Directors	March 29, 2021	March 30, 2021	All the resolutions were passed
The Fourteenth Meeting of the Tenth Session of the Board of Directors	April 28, 2021	April 29, 2021	All the resolutions were passed
The Fifteenth Meeting of the Tenth Session of the Board of Directors	July 22, 2021	July 23, 2021	All the resolutions were passed
The Sixteenth Meeting of the Tenth Session of the Board of Directors	August 27, 2021	August 28, 2021	All the resolutions were passed
The Seventeenth Meeting of the Tenth Session of the Board of Directors	September 23, 2021	September 24, 2021	All the resolutions were passed
The Eighteenth Meeting of the Tenth Session of the Board of Directors	October 28, 2021	October 29, 2021	All the resolutions were passed
The Nineteenth Meeting of the Tenth Session of the Board of Directors	December 23, 2021	December 24, 2021	All the resolutions were passed

7. Attendance of Directors at Board meetings and general meetings of shareholders

Attendance at Board meetings and general meetings of shareholders

Name of Director	Required attendance at Board Meetings during the Reporting Period	Attendance		Attendance at Board Meeting by proxy	Times of absence from Board Meeting	Two consecutive absences in person from Board Meeting	Attendance at general meeting of shareholders
		On-site attendance at Board Meeting	at Board Meeting by telecommunication				
Lin Chuanhui	8	5	3	0	0	No	1/1
Li Xiulin	8	0	8	0	0	No	0/2
Shang Shuzhi	8	0	8	0	0	No	0/2
Guo Jingyi	8	3	5	0	0	No	0/2
Sun Xiaoyan	8	5	3	0	0	No	2/2
Qin Li	8	5	3	0	0	No	1/2
Fan Lifu	8	0	8	0	0	No	0/2
Hu Bin	8	0	8	0	0	No	0/2
Leung Shek Ling Olivia	8	0	8	0	0	No	0/2
Li Wenjing	8	2	6	0	0	No	1/2
Sun Shuming	3	2	1	0	0	No	2/2

8. Objections raised by Directors on matters of the Company

During the Reporting Period, no objection was raised by the Directors to the relevant matters of the Company.

9. Other explanations on the performance of duties by Directors

During the Reporting Period, no suggestions made by the Directors on the Company were rejected. During the Reporting Period, the independent non-executive Directors of the Company held a special meeting to discuss with the Chairman of the Board on how to enhance the Company's core competitiveness and strengthen its position in the industry under the current internal and external environment. The Company integrated the opinions of independent non-executive Directors into its daily operation and development, focused on the construction of core capabilities and the key tasks of the high-quality development and reformed its operation model, strengthened platform construction and improved its comprehensive financial service capabilities.

10. Implementation of the resolutions of shareholders' meetings by the Board of Directors

The Board of Directors of the Company has implemented the resolutions of shareholders' meetings well, and details on the implementation of the resolutions of shareholders' meetings by the Board of Directors during the Reporting Period is as follows:

On May 13, 2021, the Company convened the 2020 annual general meeting and passed the resolution on engagement of its auditor for the Year of 2021. According to the resolution, the Company engaged Ernst & Young as its auditor for the year of 2021.

On May 13, 2021, the Company held the 2020 annual general meeting and passed the 2020 Profit Distribution Plan of GF Securities (《廣發證券 2020 年度利潤分配方案》). The Company has completed the profit distribution before July 7, 2021 by distributing cash dividend of RMB4.5 (tax inclusive) for every 10 shares based on the then number of total issued shares of the Company of 7,621,087,664 Shares.

11. Directors' trainings

The Company attaches great importance to continuous training of Directors, to ensure appropriate understanding of the Company's business operations and development by Directors, and their comprehensive understanding of the applicable regulatory laws, decrees and regulations where the Company's shares are listed. During the Reporting Period, in addition to attending trainings organized by the regulatory bodies periodically, the Company's Directors were also proactively involved in seminars and symposiums organized by trade associations and other self-regulatory organizations, which enabled the exchange of experience within the same industry to promote the capacity of fulfilling their duties. The Company promptly provide to the Directors, Supervisors and senior management with the latest information on, among others, the laws, regulations, guidelines, notices, special material issued by the regulatory authorities, and require them to learn carefully. The Supervisory Committee Office and the Office of the Board of Directors also regularly prepare the Monthly Newsletter of Directors and Supervisors (《董監事通訊》), prepare the special training material from time to time, and provide it to the Directors in a timely manner and assist Directors in acquiring comprehensive knowledge of the Company's operations, the implementation of resolutions and the industry's latest development as well as the latest regulations, thus improving the ability of Directors' discharging of their duties with targeted results.



The details of Directors' trainings in 2021 are as follows:

Name	Position	Training content
Lin Chuanhui	Executive Director, Chairman, General Manager	<ol style="list-style-type: none"> 1. On April 25, 2021, he attended the 2021 Second Special Training on Corporate Governance held by the Guangdong Securities Regulatory Bureau and the China Association for Public Companies; 2. On May 8, 2021, he attended the Guangdong Trade High-quality Development Conference held by the General Office of the People's Government of Guangdong Province and the General Office of the Guangdong Provincial Committee of the Communist Party of China; 3. On August 28, 2021, he attended the 30th Anniversary Executive Meeting of the Securities Association of China; 4. On August 28, 2021, he attended the 30th anniversary symposium of the Securities Association of China; 5. On September 6, 2021, he attended the 60th World Federation of Exchanges (WFE) Annual Meeting of Shenzhen Stock Exchange; 6. On November 4, 2021, he attended the Guangzhou Financial Work Symposium held by Guangzhou Local Financial Supervision and Administration Bureau; 7. On December 2, 2021, he attended the Third Meeting of Supervisory Committee and the Ninth Session of Board of Governors and the 2021 Green Finance Committee Annual Meeting held by the Guangdong Institute of Finance; 8. On December 12, 2021, he attended the 4th Guangdong-Hong Kong-Macao Greater Bay Area Financial Development Forum of Guangdong Financial Think-tank Federation; 9. On December 30, 2021, he attended the High-quality Development Conference of State-owned Enterprises and State-invested Enterprises in Guangdong Province.
Sun Xiaoyan	Executive Director, Deputy General Manager, Chief Financial Officer	<ol style="list-style-type: none"> 1. On April 25, 2021, he attended the 2021 Second Special Training on Corporate Governance held by the China Association for Public Companies and the Shanghai Stock Exchange and the Shenzhen Stock Exchange; 2. On June 17, 2021, he attended a series of online futures business trainings entitled "Promoting Futures Risk Management to Serve the Development of the Real Economy" held by the Guangdong Securities Regulatory Bureau and the Guangdong Association for Public Companies; 3. On September 24, 2021, he attended the "Online Communication Activity of the Financial and Accounting Committee" held by the Securities Association of China; 4. On November 16, 2021, he attended the "Training Session on Data Submission of Securities Operating Institutions under the Institutional Regulatory System" organized by the CSRC.

Name	Position	Training content
Qin Li	Executive Director, Chief Officer of the Company	<ol style="list-style-type: none"> 1. On September 29, 2021, he attended the Guangdong-Hong Kong Financial Cooperation Seminar organized by Guangzhou Local Financial Supervision and Administration Bureau; 2. On December 23, 2021, he attended the Training Course for Directors, Supervisors and senior management of Listed Companies in Guangdong Province held by the Guangdong Securities Regulatory Bureau and the Guangdong Association for Public Companies.
Li Xiulin	Non-executive Director	<ol style="list-style-type: none"> 1. On May 14, 2021, he attended the Work Conference on Supervision of Listed Companies in Jilin held by the Jilin Securities Regulatory Bureau and Jilin Provincial Securities Association; 2. On July 30, 2021, he attended the Special Training for Private Listed Companies organized by the China Association for Public Companies and relevant units; 3. On November 3, 2021, he attended the Special Training on High-quality Development of Listed Companies held by the Shenzhen Stock Exchange Topic 4: Compliance with Increase or Decrease of Shares; 4. On November 18, 2021, he attended the Training on the High-quality Development of Jilin Province Bond Market in 2021 organized by the Shanghai Stock Exchange, the Jilin Securities Regulatory Bureau and Jilin Provincial Financial Bureau; 5. On December 23, 2021, he attended the Training Course for Directors, Supervisors and senior management of Listed Companies in Guangdong Province held by the Guangdong Securities Regulatory Bureau and the Guangdong Association for Public Companies.
Shang Shuzhi	Non-executive Director	<ol style="list-style-type: none"> 1. On March 11, 2021, he attended the 2021 Work Conference on Supervision of Listed Companies in Dalian held by the Dalian Securities Regulatory Bureau; 2. On October 15, 2021, he attended the Training on Information Disclosure and Compliance Operation held by Liaoning Cheng Da.
Guo Jingyi	Non-executive Director	<ol style="list-style-type: none"> 1. On December 23, 2021, he attended the Training Course for Directors, Supervisors and senior management of Listed Companies in Guangdong Province held by the Guangdong Securities Regulatory Bureau and the Guangdong Association for Public Companies.
Fan Lifu	Independent Non-executive Director	<ol style="list-style-type: none"> 1. On January 15, 2021, he attended the Special Training on Corporate Governance of the Listed Companies held by the Liaoning Securities Regulatory Bureau and the Liaoning Association for Public Companies; 2. On July 15, 2021, he attended the Special Training on Improving the Quality of Listed Companies in 2021 held by the Liaoning Association for Public Companies; 3. On December 23, 2021, he attended the Training Course for Directors, Supervisors and senior management of Listed Companies in Guangdong Province held by the Guangdong Securities Regulatory Bureau and the Guangdong Association for Public Companies.



Name	Position	Training content
Hu Bin	Independent Non-executive Director	<ol style="list-style-type: none"> 1. From April 21 to 22, 2021, he attended the National High-end Think-tank Forum and 2021 Economic Situation Symposium sponsored by the Chinese Academy of Social Sciences, and delivered a speech themed as “Supervision of Bigtech in Finance Platform”; 2. On April 24, 2021, he attended the of the China Fintech Burning Index Report (2021) Conference and the First Fintech Index Forum sponsored by the Financial Research Institute of the Chinese Academy of Social Sciences and the People’s Daily Digital Communication; 3. On May 8, 2021, he attended the era summit forum of “Big Finance, Big Consumption, Big People’s Livelihood” sponsored by the Hainan Provincial People’s Government and ICBC, and delivered a speech themed as “Driven by Digital Consumption Coupons to Develop Digital Economy for fueling the High-level Construction of Hainan Free Trade Port”; 4. On June 18, 2021, he attended the Seminar on Development and Finance – Theory and Practice of Development-oriented Finance sponsored by the China Development Bank, and delivered a speech themed as “Opportunities and Challenges of Development-oriented Finance under the New Development Landscape”; 5. On July 8, 2021, he attended the China Financial Supervision and Regulation Report (2021) Conference on Market Behavior, Regulatory Challenges and Policy Responses of Large-scale Internet Platforms – sponsored by the National Finance and Development Laboratory of the Chinese Academy of Social Sciences, the Financial Research Institute of the Chinese Academy of Social Sciences and the Social Sciences Literature Publishing House and delivered a keynote speech on the platform economy; 6. On August 25, 2021, he attended the 2021 Summer Seminar sponsored by the Chinese Academy of Social Sciences; 7. On September 26, 2021, he attended the Tsinghua University’s First Global Securities Market Summit Forum and the Establishment Ceremony and Results Release Conference of Tsinghua University’s Global Securities Market Research Institute held by Tsinghua University; 8. On September 28, 2021, he attended the 4th China Think-tank Construction and Evaluation Summit Forum and China Think-tank Comprehensive Evaluation AMI Research Report (2021) Conference sponsored by the Evaluation Research Institute of the Chinese Academy of Social Sciences; 9. On October 21, 2021, he attended the sub-forum on “Financial Innovation and Serving the Real Economy for High-quality Development” of the “2021 Beijing Financial Street Forum” sponsored by the Beijing Municipal Government and the People’s Bank of China, and delivered a speech themed as “Reshaping Fintech Regulation Concept and Establishing a Long-term Supervision Mechanism”; 10. On December 23, 2021, he attended the Training Course for Directors, Supervisors and senior management of Listed Companies in Guangdong Province held by the Guangdong Securities Regulatory Bureau and the Guangdong Association for Public Companies.

Name	Position	Training content
Leung Shek Ling Olivia	Independent Non-executive Director	<ol style="list-style-type: none"> 1. On May 31, 2021, she delivered a speech at the seminar of “Student-led Virtual Exchange between HKU Business School & Icesi University”; 2. On June 17, 2021, she delivered a speech at the online seminar of “AACSB Online Learning Affinity Group”; 3. On June 17, 2021, she delivered a speech at the seminar of “Guiding Advisees by Co-developing Feasible Action Plans”.
Li Wenjing	Independent Non-executive Director	<ol style="list-style-type: none"> 1. On December 3, 2021, he attended a live anti-money laundering training organized by China Guangfa Bank; 2. From October 24 to 27, 2021, he attended the Long-distance Training Course on Corporate Governance of Banking and Insurance Institutions organized by China Banking and Insurance News. 3. On December 23, 2021, he attended the Training Course for Directors, Supervisors and senior management of Listed Companies in Guangdong Province held by the Guangdong Securities Regulatory Bureau and the Guangdong Association for Public Companies.

VII. THE SPECIAL COMMITTEES UNDER THE BOARD DURING THE REPORTING PERIOD

The Board consists of several special committees, namely the Strategy Committee, the Nomination Committee, the Remuneration and Appraisal Committee, the Audit Committee and the Risk Management Committee. The clear division of power and responsibility of the Committees guarantees effective operation and makes the decision division of the Board more refined. The special committees play an effective role in the Company’s major decisions.

Currently, the constitution of all special committees under the Board is as follows:

Name of Committee	Constitution
Strategy Committee	Lin Chuanhui (Chairman), Li Xiulin, Shang Shuzhi, Guo Jingyi and Ge Changwei
Nomination Committee	Hu Bin (Chairman), Fan Lifu, Li Wenjing, Lin Chuanhui and Sun Xiaoyan
Remuneration and Appraisal Committee	Hu Bin (Chairman), Fan Lifu, Leung Shek Ling Olivia, Sun Xiaoyan and Qin Li
Audit Committee	Li Wenjing (Chairman), Fan Lifu and Leung Shek Ling Olivia
Risk Management Committee	Lin Chuanhui (Chairman), Leung Shek Ling Olivia, Li Wenjing, Sun Xiaoyan and Qin Li



During the Reporting Period, details of meetings convened by the special committees are as follows:

1. The Strategy Committee

The Strategy Committee is mainly responsible for formulating the mid to long-term strategic goals and development plans of the Company, reviewing the mid to long-term strategic goals and development plans of each business and management segment of the Company, supervising and guiding the implementation of the Company's strategies. The duties that the Strategy Committee shall perform are set forth in the Rules of Procedure for the Strategy Committee of the Board of Directors of the Company published by the Company on the websites of the SZSE, Hong Kong Stock Exchange and the Company.

In 2021, the major achievements of the Strategy Committee included: the Strategy Committee of the Board of Directors reviewed the Company's financial budget reports to obtain a comprehensive understanding of the Company's financial conditions and the implementation of the relevant strategies; it also reviewed the relevant information in relation to the Company's business operations, including the Company's regular reports, financial reports, the materials of shareholders' meetings, the board meetings and other relevant meetings, to obtain information on the Company's business operations and the progress of the implementation of strategic planning, effectively fulfilling the responsibilities of the Strategy Committee of the Board. During the Reporting Period, the Strategy Committee raised no objections on the relevant matters.

(1) During the Reporting Period, the Strategy Committee held one meeting:

Session of meeting	Convening date	Content of meeting	Status of resolutions
2021 First Meeting of the Strategy Committee of the Tenth Session of the Board of Directors	March 29, 2021	1. the Work Report of the Strategy Committee of the Board of Directors of GF Securities for the Year of 2020	The resolution was passed

- (2) During the Reporting Period, the details of attendance of the Strategy Committee members are as follows:

Name of member	Position	Attendance/ number of meetings
Lin Chuanhui	Executive Director and Chairman of Strategy Committee	1/1
Li Xiulin	Non-executive Director	1/1
Shang Shuzhi	Non-executive Director	1/1
Guo Jingyi	Non-executive Director	1/1
Sun Shuming	Former executive Director and Chairman of Strategy Committee	1/1

Note 1: Mr. Lin Chuanhui was elected as a member of the Strategy Committee of the Tenth Session of the Board of Directors on January 6, 2021.

2. The Nomination Committee

The Nomination Committee of the Board is mainly responsible for reviewing the structure, size and composition of the Board and make recommendations or advice to the Board, improving the system for the selection, nomination and appointment of the Company's Directors and senior management and monitoring its implementation, and the assessment of the independence of independent directors. The duties that the Nomination Committee shall perform are set forth in the Rules of Procedure for the Nomination Committee of the Board of Directors of the Company published by the Company on the websites of the SZSE, Hong Kong Stock Exchange and the Company.

According to the requirements of the Articles of Association, shareholder(s) severally or jointly holding 3% or more shares of the Company may nominate candidates for directors and supervisors to the general meeting. The director candidates shall be reviewed by the Nomination Committee before they are submitted to the Board. By acting as the adviser of the Board as to the director nomination, the Nomination Committee nominates the candidates for new directors first for recommendation to the Board which will make decision on proposing to the general meeting for election or not. The Nomination Committee and the Board shall consider major factors including the operating activities, asset scale and future development needs of the Company, as well as the gender, age, cultural and educational background and professional experience of the relevant candidates.

In 2021, the Nomination Committee actively performed its duties and fully expressed its opinions on the election of directors and the appointment of senior management of the Company, while fully assessing the composition and diversity of the Board. The diversity policy on the Board's composition of the Company includes: in designing the Board's composition, Board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The final decision will be made on the merits of the candidates and the contribution that could be brought to the Board. As of the date of this report, the diversity of the Board is demonstrated as follows:



Item	Category	Number	Percentage of the Board members
Gender	Male	9	82%
	Female	2	18%
Age	40 to 50	5	45%
	51 to 60	4	36%
	61 to 70	2	18%
Title	Executive director	4	36%
	Non-executive director	3	27%
	Independent non-executive director	4	36%
Term of office as a member of the Board	5 years or less (5 years inclusive)	7	64%
	5 to 10 years (5 years exclusive, but 10 years inclusive)	1	9%
	Over 10 years (10 years exclusive)	2	18%
Years in securities and financial industry	20 years or less (20 years inclusive)	5	45%
	20 to 30 years (20 years exclusive, but 30 years inclusive)	5	45%
	Over 30 years (30 years exclusive)	1	9%
Profession or expertise in economics/finance/financial accounting	N/A	10	91%

- (1) During the Reporting Period, the Nomination Committee convened two meetings:

Session of meeting	Convening date	Content of meeting	Status of resolutions
2021 First Meeting of the Nomination Committee of the Tenth Session of the Board of Directors	March 29, 2021	1. the Work Report of GF Securities Board Nomination Committee for the Year of 2020	The resolution was passed
2021 Second Meeting of the Nomination Committee of the Tenth Session of the Board of Directors	July 22, 2021	1. the Resolution on Election of the Chairman of the Tenth Session of the Board of Directors of the Company; 2. the Resolution on Appointment of the Chief Compliance Officer and Chief Risk Officer of the Company; 3. the Resolution on Appointment of the Deputy General Manager of the Company.	All the resolutions were passed

- (2) During the Reporting Period, the details of attendance of the Nomination Committee members are as follows:

Name of member	Position	Attendance/ number of meetings
Hu Bin	Independent Non-Executive Director and Chairman of Nomination Committee	2/2
Fan Lifu	Independent Non-Executive Director	2/2
Li Wenjing	Independent Non-Executive Director	2/2
Sun Xiaoyan	Executive Director	2/2
Sun Shuming	Former executive Director	1/1

Note 1: During the tenure of office of Mr. Sun Shuming, the Nomination Committee convened one meeting.

3. The Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Board is mainly responsible for the appraisal and evaluation of the Company's Directors and senior management members, improving the Company's performance evaluation system, and improving the soundness of the Company's overall remuneration system and monitoring its implementation; making recommendations to the Board on the remuneration of non-executive Directors; assessing and making recommendations on the performance of Directors and senior management members according to the Company's performance assessment scheme, and determining the rewards and incentives/punishments of senior management members accordingly. The duties that the Remuneration and Appraisal Committee shall perform are set forth in the Rules of Procedure for the Remuneration and Appraisal Committee of the Board of Directors of the Company published by the Company on the websites of the SZSE, Hong Kong Stock Exchange and the Company.



In 2021, the major achievements of the Remuneration and Appraisal Committee included: reviewing the performance of Directors and senior management, and making their annual performance assessment; making special description on the assessment of Directors and senior management and the remuneration management system as well as the assessment procedures.

(1) During the Reporting Period, the Remuneration and Appraisal Committee convened one meeting:

Session of meeting	Convening date	Content of meeting	Status of resolutions
2021 First Meeting of the Remuneration and Appraisal Committee of the Tenth Session of the Board of Directors	March 29, 2021	1. the Work Report of GF Securities Board Remuneration and Appraisal Committee for the Year of 2020; 2. The Resolution of Performance Assessment on Directors for the Year of 2020; 3. the Special Description of Performance Assessment and Remuneration of GF Securities Directors for the Year of 2020; 4. the Special Description of Duty Performance, Performance Assessment and Remuneration of GF Securities Business Management for the Year of 2020; 5. the Resolution on Distribution of Performance Salary for the Management for the Year of 2020.	All the resolutions were passed

(2) During the Reporting Period, the details of attendance of the Remuneration and Appraisal Committee members are as follows:

Name of member	Position	Attendance/ number of meetings
Hu Bin	Independent Non-executive Director and Chairman of Remuneration and Appraisal Committee	1/1
Fan Lifu	Independent Non-executive Director	1/1
Leung Shek Ling Olivia	Independent Non-executive Director	1/1
Sun Xiaoyan	Executive Director	1/1
Qin Li	Executive Director	1/1

4. The Audit Committee

The Audit Committee is mainly responsible for reviewing the Company's internal control and effectiveness of its implementation and coordinating, overseeing and inspecting the internal and external audits of the Company. The duties of the Audit Committee are set forth in the Rules of Procedure for the Audit Committee of the Board of Directors of the Company published by the Company on the websites of the SZSE, Hong Kong Stock Exchange and the Company.

During the Reporting Period, the Audit Committee and its members fulfilled their responsibilities and worked diligently in accordance with the relevant legal and regulatory requirements, promoted the audit and supervisory role into full play, and played an important role in further improving corporate governance and enhancing the audit quality. The Audit Committee plays full role in the working of the annual report and financial statements in accordance with the Annual Report Working Rules of the Audit Committee of the Board of Directors of the Company, and positively performs responsibilities of preparing and reviewing the disclosures in annual reports and financial statements, improves the quality and transparency of the disclosure in the annual reports and financial statements.

During the Reporting Period, through reviewing the Company's periodic financial statements, annual audit work report and the proposal of related party/connected transactions, the Audit Committee obtained a full picture of the Company's financial status, supervised the progress of audit work and the implementation of connected/related transactions, and reviewed the effectiveness of the Company's internal control. The Audit Committee eventually concluded that the Company's financial system operated solidly, the financial status was satisfactory, and the internal control system was sound and its implementation was effective.

In 2021, the major achievements of the Audit Committee included: supervising the annual audits, reviewing the Company's periodic financial statements; reviewing the Company's internal audit report and annual working plan; reviewing the Company's special audit report on anti-money laundering; making recommendations to the Board on the appointment, reappointment or change of external auditors, approving the compensation and terms of engagement for external auditors; examining and supervising related party/connected transactions and assessing the appropriateness of related party/connected transactions; monitoring and assessing the independence and objectivity of work conducted by external auditors of the Company and the effectiveness of the auditing procedures; reviewing the efficiency of the internal control system and the adequacy of accounting and financial reporting functions; being responsible for the communications between internal auditors and external auditors.



(1) During the Reporting Period, the Audit Committee convened four meetings:

Session of meeting	Convening date	Content of meeting	Status of resolutions
2021 First Meeting of the Audit Committee of the Tenth Session of the Board	March 29, 2021	1. the Work Report of GF Securities Board Audit Committee for the Year of 2020; 2. the Opinions on the 2020 Annual Financial Report (financial report and notes); 3. the Resolution Regarding Engaging Auditors in 2021; 4. the Resolution on Expected Daily Related Party/Connected Transactions of the Company for the Year of 2021; 5. the Internal Control and Evaluation Report of GF Securities for the Year of 2020; 6. The Audit Work Report of GF Securities for the Year of 2020; 7. the Specific Audit Report on Major Issues of GF Securities for the Year of 2020; 8. the Special Audit Report on Anti-money Laundering of GF Securities for the year of 2020; 9. the Specific Audit Report on Related Party/Connected Transactions of the Company for the Year of 2020.	All the resolutions were passed
2021 Second Meeting of the Audit Committee of the Tenth Session of the Board	April 28, 2021	1. the 2021 First Quarterly Report of GF Securities; 2. the 2021 First Quarterly Audit Work Report of GF Securities.	All the resolutions were passed
2021 Third Meeting of the Audit Committee of the Tenth Session of the Board	August 27, 2020	1. the 2021 Interim Report of GF Securities; 2. the Interim Audit Work Report of GF Securities of 2021; 3. the Interim Special Audit Work Report on Major Issues of GF Securities of 2021; 4. the Resolution on Rectification of Problems Identified in the Anti-money Laundering Audit in 2020.	All the resolutions were passed
2021 Fourth Meeting of the Audit Committee of the Tenth Session of the Board	October 28, 2021	1. the 2021 Third Quarterly Report of GF Securities; 2. the 2021 Third Quarterly Audit Work Report of GF Securities.	All the resolutions were passed

- (2) During the Reporting Period, members of the Audit Committee worked diligently and had sufficient time to carry out their duties and were able to attend the Audit Committee meetings. Prior to the meetings, they carefully reviewed the relevant documents and during the meetings, they actively expressed their opinions and performed their duties. The details of attendance of the Audit Committee members are as follows:

Name of member	Position	Attendance/ number of meetings
Li Wenjing	Independent Non-executive Director and Chairman of Audit Committee	4/4
Fan Lifu	Independent Non-executive Director	4/4
Leung Shek Ling Olivia	Independent Non-executive Director	4/4

- (3) Overview of the Company's audit

The Company's 2021 annual audit was done by Ernst & Young who mainly divided it into two phases, namely preliminary phase and year-end phase. For the preliminary phase, Ernst & Young fully carried out audit of internal control according to the relevant requirements, and tested the internal control at company level and process level (including business processes of headquarters and business department) to evaluate the effectiveness of the internal control design and whether the control is effectively implemented during 2021. Ernst & Young also comprehended and analyzed and performed pre-testing on major matters and major items during the audit of financial statements; tested major information systems used by the Company, and communicated on preliminary audit. For the year-end audit phase, Ernst & Young followed up on the work of the preliminary phase and performed detailed auditing procedures for all major items, and communicated with the management team and governance team on year-end audit.

To prepare for the 2021 annual audit and issue relevant audit reports on a timely basis, the Audit Committee of the Tenth session of the Board of Directors of the Company arranged the finance department to communicate with Ernst & Young on matters such as audit plans, audit processes and key audit issues, for which it also carried out supervision and follow-up. On December 16, 2021, the Audit Committee held a communication meeting on the audit plan with Ernst & Young. In addition, the Company's finance department also communicated with Ernst & Young on matters such as preliminary and year-end audits as well as major accounting issues.

On March 23, 2022, the Audit Committee heard the reporting of Ernst & Young on 2021 annual audit.



The Audit Committee assessed the independence and objectivity of Ernst & Young and the effectiveness of the auditing procedure to ensure that the financial reports Ernst & Young issued can provide objective and honest opinions. Before assessing the 2021 annual financial statements of the Company, the Audit Committee received a written confirmation from Ernst & Young in terms of the independence of Ernst & Young as an auditor. Ernst & Young has taken necessary protective measures in accordance with the relevant requirements of professional ethics in order to prevent possible threats to independence.

The Audit Committee considered that the Ernst & Young has, in accordance with the relevant requirements of the Standards on Auditing for Certified Public Accountants, implemented appropriate audit procedures, obtained sufficient, appropriate and effective audit evidence for issuing audit opinions, and adhered to independent auditing standards, ensuring smooth progression of the Company's annual audit.

On March 30, 2022, the Audit Committee reviewed the Assessment Report of GF Securities on Internal Control for the Year of 2021, and concluded that the internal control system was sound and its implementation was effective. For the assessment of the Company's internal control by the Company's Board of Directors and related information, please refer to Sections 13, 15, 19 and 20 in this chapter.

5. The Risk Management Committee

The Risk Management Committee is mainly responsible for the assessment of the Company's overall risk status, monitoring the overall risk management of the Company, to ensure that all kinds of risks associated with its operational activities are controlled within a reasonable range. The duties of the Risk Management Committee are set forth in the Rules of Procedure for the Risk Management Committee of the Board of Directors of the Company published by the Company on the websites of the SZSE, Hong Kong Stock Exchange and the Company.

In 2021, the major achievements of the Risk Management Committee included: reviewing the interim and the annual risk management reports, annual audit work report, compliance reports and anti-money laundering report of the Company; reviewing the Company's regular internal control assessment report; and reviewing and determining the scale and risk limits for the Company's principal business segments.

- (1) During the Reporting Period, the Risk Management Committee convened two meetings:

Session of meeting	Convening date	Content of meeting	Status of resolutions
2021 First Meeting of the Risk Management Committee of the Tenth Session of the Board	March 29, 2021	1. the Work Report of the Risk Management Committee of the Board of Directors of GF Securities for the Year of 2020; 2. the GF Securities Report of Risk Management for the Year of 2020; 3. the GF Securities Report of Compliance for the Year of 2020; 4. the Annual Overall Review Report on the Effectiveness of the Corporate Compliance Management of GF Securities for the year of 2020; 5. the Internal Control and Evaluation Report of GF Securities for the year of 2020; 6. the Audit Work Report of GF Securities for the Year of 2020 and the Anti-money Laundering Report of GF Securities for the year of 2020; 7. the Resolution of 2021 Annual Quota for Proprietary Funding Investment.	All the resolutions were passed
2021 Second Meeting of the Risk Management Committee of the Tenth Session of the Board	August 27, 2021	1. the GF Securities Interim Report of Risk Management for the Year of 2021	The resolution was passed

- (2) During the Reporting Period, the attendance of members of the Risk Management Committee is as follows:

Name of member	Position	Attendance/ number of meetings
Lin Chuanhui	Executive Director, Chairman of the Risk Management Committee	1/1
Leung Shek Ling Olivia	Independent Non-executive Director	2/2
Li Wenjing	Independent Non-executive Director	2/2
Sun Xiaoyan	Executive Director	2/2
Qin Li	Executive Director	2/2
Sun Shuming	Former executive Director, Chairman of the Risk Management Committee	1/1

Note: During the term of office of each of Mr. Lin Chuanhui and Mr. Sun Shuming in 2021, the Company held 1 meeting of the Risk Management Committee.

VIII. WORK OF THE SUPERVISORY COMMITTEE

The Supervisory Committee had no objection to the supervision matters during the Reporting Period.

In 2021, according to the requirements of laws and regulations such as the Company Law, the Securities Law and the Rules for Governance of Securities Companies, focusing on the Company's priorities, the Supervisory Committee of the Company strictly abided by the relevant requirements of the Articles of Association and the Rules of Procedure for Supervisory Committee of the Company to lawfully perform supervision duties.

During the Reporting Period, the Supervisory Committee of the Company carried out supervision works in accordance with laws and regulations, on the basis of careful supervision and inspection, it issued opinions on the operation by law, the financial position and the effectiveness of the internal control of the Company and the implementation of the information disclosure management system of the Company according to related requirements. The Supervisory Committee is of the following views: the Company was able to realize standardized operation and comply with the Company Law, the Securities Law, the Rules for Governance of Securities Companies and other relevant laws and regulations as well as the requirements of the Articles of Association of the Company and other systems; the decision-making process of the Company was lawful and effective, and the Company did not impair the legitimate rights and interests of the Company and its shareholders, employees, creditors and other stakeholders; the Company's financial reports truthfully, accurately and completely reflected the Company's financial position and operating results; the Board of Directors and the management of the Company earnestly undertook its obligations under relevant resolutions of the general meetings of the Company; the Company had established and effectively implemented its information disclosure management system; and the Supervisory Committee did not find any insider trading, nor any damage to Shareholders' interests nor any loss of assets of the Company. For details of the opinions issued by the Supervisory Committee on matters relating to the Company in 2021, please see the 2021 Supervisory Committee's Report of the Company.

IX. INFORMATION OF THE STAFF OF THE COMPANY

1. Number of staff, professional structure and their education level

Number of current staff of the parent company	11,092
Number of current staff of the major subsidiaries	2,082

Total number of current staff	13,174
Total number of paid employees for the current period	13,174

Professional structure

	Number of Professionals	Percentage
Professions		
Primary business	10,807	82.03%
Risk management	110	0.83%
Legal and compliance	128	0.97%
Information Technology	792	6.01%
Others	1,337	10.15%
Total	13,174	100.00%

Education level

	Number of Employees	Percentage
Education level		
Doctoral degree	146	1.11%
Master's degree	3,790	28.77%
Bachelor's degree	8,427	63.97%
Associate degree and below	811	6.16%
Total	13,174	100.00%

Age

	Number of Employees	Percentage
Age range		
30 and below	4,173	31.68%
31 to 40	6,089	46.22%
41 to 50	2,164	16.43%
51 and above	748	5.68%
Total	13,174	100.00%

Note 1: The above number of employees includes 471 employees for early retirement;

Note 2: There were no resigned and retired employees for whom the Company is required to pay additional cost.



2. Remuneration policies for employees

The Company has stringently abided by the Labor Law, Labor Contract Law and other external laws and regulations, and established sound human resource management systems and processes, including the Administrative Measures on the Labor Contract for Employees, the Administrative Measures on the Remuneration of Employees, the Administrative Measures on the Benefits Leave for Employee and the Administrative Measures on the Welfare of Employees at Designated Levels of the Company which effectively protected the rights and interests for employees in labor protection, working conditions, salary payment, social insurance, working hours management, rest and vacation and the interests of female employees.

The Company is committed to establishing effective salary motivation and constraint mechanism to fully motivate the initiative and innovation of all the employees and introduce and retain the core talents. The basic principles of the remuneration management of the Company include performance orientation, prosperity by cooperation, external competitiveness, risk matching and multiple incentives.

The remuneration of the Company's employees primarily comprises of fixed salary, performance bonus and benefits. Fixed salary is a relatively stable remuneration that employees obtain when they meet the requirements of their job responsibilities and work normally, reflecting the basic guarantee and safety. Performance bonus is a variable salary set to motivate and retain employees. It is determined comprehensively according to various factors such as the Company's performance, department's performance, personal performance, personal ability, compliance performance and external salary market competitiveness. Benefits include payment of various statutory insurance and housing provident funds for employees in accordance with external laws and regulations and internal policies, as well as employee benefits, labor protection fees and union benefits, which are inclusive.

3. Training plans

The Company attaches great importance to employee training, carried out training and learning activities as common measures for the development of talents and was committed to building a team of highly qualified personnel. The Company takes the talent development center as the carrier. In terms of training content, the Company closely focuses on the strategic transformation direction of its "customer-centric" approach. The Company provides professional empowerment for key businesses and key employee groups, and makes up for professional shortcomings. In terms of operation mechanism, the Group integrates internal resources through learning projects, extracts and disseminates organizational wisdom and culture, promotes mutual empowerment, and creates an atmosphere conducive to guiding employees to learn and share independently. In terms of learning methods, through the operation of four learning platforms such as Guangfa Aixue APP, we can flexibly coordinate the learning needs of employees in various scenarios, help employees effectively use personal fragmentation time, and guide employees to learn independently, actively share and precipitate in time. The employee trainings meeting the strategic needs support the sustainable and stable development of the Company and achieve a "win-win" for the Company's business development and employee career development.

In 2021, the Company planned and implemented a number of key training programs, focusing on the three key value areas of empowering business transformation, extracting organizational wisdom and building talent echelon, among which, in terms of empowering business transformation, the Company designed key projects for the Company's key businesses such as private wealth business and over-the-counter derivatives business to facilitate the development of the Company's key businesses with learning projects closely aligned with business needs. In terms of extracting organizational wisdom, the Group gave full play to the professional advantages of the Group's full-licensed business, extracted the successful experience of high-performing employees through learning activities, shared customer service experience and operation and management experience, and promoted mutual empowerment among different business lines and different departments. Under the background of normalization of pandemic prevention and control, we continued to promote the construction of learning platform, and through the combination of online and offline operation strategies, we improved the rapid replication ability of our staff team and formed the rapid learning ability of the Company as a whole. In terms of building a talent pool, the Company continued to carry out leadership learning programs for employees at all levels, including new employees, key employees, reserve talents and in-service managers, based on the Company's leadership model, so as to improve the management ability and leadership level of in-service managers and consolidate the construction of talent echelon of the Company.

4. Contracted staff

Currently, certain departments and branches of our corporate headquarter outsource non-core, sundry and supporting work to the labor outsourcing agents. The Company signs service agreements with them and regulates their service quality according to the requirements of laws and regulations including the Contract Law.

X. INFORMATION ABOUT CUSTOMER SOLICITATION AND CUSTOMER SERVICE OF COMMISSION BROKERS

As at the end of 2021, the Company had 206 securities brokerage branches which had entrusted brokers to engage in businesses including client solicitation. There were 814 brokers in total, among which 810 brokers have gained the security broker qualification and remaining 4 brokers were under applications for the qualification.

During the Reporting Period, the three-tiered management system of "retail business management headquarters – branch offices (wealth management department or marketing management department) – securities brokerage branch (marketing development department)" was adopted for the management of brokers. The E-commerce department, as the headquarters' functional department under the retail business headquarters, established a system for managing our securities brokers and organizing centralized training activities. The branch companies coordinate and supervise the business of securities brokers within their respective jurisdictions. The securities brokerage branches are responsible for implementing the recruitment, training, practicing registration, marketing development and daily management activities.



XI. PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE COMPANY

1. Profit Distribution Policy, in particular, Formulation, Implementation or Adjustment of Cash Dividend Policy during the Reporting Period

The Company consistently pays attention to reasonable returns on investment to shareholders, the profit distribution policy is clearly stated in the Articles of Association and the Dividend Distribution Management Policies of the Company. The formulation, adjustment, compliance and transparency of the policies have complied with the requirements of the Articles of Association of the Company and the procedure for consideration, the standard and proportion of dividend distribution are clear, in the absence of the occurrence of, inter alia, any significant investment plans or significant cash expenditure, the cumulative amount of profit distributed in cash by the Company in any three consecutive years shall not be less than 30% of the average annual distributable profit realized in those three years, providing sufficient protection to investors, in particular the legitimate interest of minority investors.

The Company formulated the profit distribution plan strictly in accordance with the Articles of Association and the Dividend Distribution Management Policies of the Company, and formulated dividend plans scientifically for the benefit of shareholders by taking into consideration, inter alia, factors such as the development strategic plans, industry development trends, social capital cost and external financing environment. During the Reporting Period, the Company strictly executed the profit distribution policy without formulating any new profit distribution policies nor adjusting the existing profit distribution policy of the Company.

Specific Particulars of Cash Dividend Policy

Whether the policy complied with the provisions of the Articles of Association or the requirements of the resolutions of the Shareholders' General Meeting:	Yes
Whether the standard and proportion of dividend distribution were definite and clear:	Yes
Whether the relevant decision-making procedure and mechanism were well established:	Yes
Whether the independent directors performed their duties and responsibilities and played their roles properly:	Yes
Whether minority shareholders had sufficient opportunity to express their opinions and requests, whether their legitimate interests were sufficiently protected:	Yes
If the cash dividend policy underwent any adjustments or changes, whether the conditions and procedures were compliant and transparent:	N/A

2. Reasons that the Company Makes Profit and the Profit Available for Distribution to the Shareholders of the Parent Company is Positive, but No Proposals on Cash Dividends Distribution is Made during the Reporting Period

N/A

3. Profit Distribution Proposal or Conversion of Capital Reserves into Share Capital Proposal Considered by the Board During the Reporting Period

Number of bonus share per 10 shares (share(s))	0
Dividend distribution per 10 shares (RMB) (tax inclusive)	5.00
Scrip shares per 10 shares (share(s))	0
Share base of the distribution proposal (shares)	7,621,087,664
Amount of cash dividend (RMB) (tax inclusive)	3,810,543,832.00
Amount of cash dividends distribution through other means (such as repurchase of shares) (RMB)	0
Total cash dividend (including cash dividends distribution through other means) (RMB)	3,810,543,832.00
Distributable profits (RMB)	26,254,352,518.76
Percentage of total cash dividend (including cash dividends distribution through other means) to total profit distribution	100%

Current Distribution of Cash Dividends

Based on the number of shares held as at the record date for dividend distribution, it was proposed that a cash dividend of RMB5.0 (tax inclusive) for every 10 shares be distributed to all shareholders. Based on the Company's existing share capital of 7,621,087,664 shares, the total cash dividend would be RMB3,810,543,832.00, and the remaining undistributed profit of RMB22,443,808,686.76 would be carried forward to the next year.

Description in details on the Proposal of Profit Distribution or Conversion of Capital Reserves into Share Capital

According to the Company's consolidated statements in 2021, the net profit attributable to owners of the parent company was RMB10,854,115,527.40; the net profit of the parent company was RMB8,691,676,018.41 and the distributable profit for the year was RMB28,863,080,194.44.

Having considered the requirements under the Company Law, the Securities Law, the Financial Rules for Financial Enterprises, the Articles of Association of the Company and the Document (Zheng Jian Ji Gou Zi [2007] No. 320) issued by the CSRC, the Company proposed the following profit distribution for the year of 2021 in the interest of the shareholders and the development of the Company:

In 2021, the parent company of GF Securities achieved net profit of RMB8,691,676,018.41, and in accordance with the provisions of the Articles of Association of the Company, each of the statutory surplus reserve, the general risk reserve, and the transaction risk reserve was credited with 10% of the net profit, amounting to RMB869,167,601.84 for each of the reserves. According to the Provisional Measures on Supervision and Administration of Risk Reserve of Public Offering of 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》, a fund custodian should appropriate no less than 2.5% of the income from fund custodian fees to the risk reserve on a monthly basis. A sum of RMB1,224,870.16 was appropriated to the general risk reserve for asset custodian business, and the remaining distributable profit amounted to RMB26,254,352,518.76.

According to the Document (Zheng Jian Ji Gou Zi [2007] No. 320) issued by the CSRC, securities firms shall not utilize the gains arising from fair value changes included in distributable profits to distribute cash dividends. After deducting the gains arising from fair value changes included in distributable profits, the distributable profits for cash dividends for the year amounted to RMB26,254,352,518.76.



The Profit Distribution Plan of GF Securities in 2021 (《廣發證券2021年度利潤分配預案》) was considered and approved at the 23rd meeting of the 10th session of the Board of Directors, which is in compliance with the Articles of Association of the Company and approval procedures, fully protecting the legitimate interests of minority investors. The independent directors of the Company have provided their Independent Opinions on Profit Distribution Plan in 2021 (《關於2021年度利潤分配預案的獨立意見》). After being considered and approved by the Annual General Meeting, the Profit Distribution Plan of the Company in 2021 will be implemented within two months from the date when it is being considered and approved at the general meeting.

XII. IMPLEMENTATION OF EQUITY INCENTIVE, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE OF THE COMPANY

During the Reporting Period, the Company had no equity incentive, employee stock ownership plan or other employee incentive.

XIII. INTERNAL CONTROL CONSTRUCTION AND IMPLEMENTATION DURING THE REPORTING PERIOD

1. Internal Control Construction and Implementation

The Company has established a legal person governance structure consisting of the general meeting, the Board of Directors, the Supervisory Committee and the operation management and has clearly defined the responsibilities and power, rules of procedure and working procedures of the general meeting, the Board of Directors, the Supervisory Committee and the operation management, thereby ensuring the clearly divided power and responsibilities, regulated operation and effective checks and balances among the authority organization, decision-making organization, implementation organization and supervisory organization. The Company has established three defense lines of comprehensive risk management, under which business units, branches and subsidiaries, as the first defense line of comprehensive risk management, are responsible for timely identifying, evaluating, tackling and reporting relevant risks; functional departments such as the risk management department and compliance management department, as the second defense line of comprehensive risk management, are responsible for event risk management; the auditing department, as the third defense line, is responsible for independent and objective review and assessment. The Company continued to improve various rules and systems according to the internal and external requirements and incorporated various risk control measures into its rules and procedures and strengthened the implementation of risk control measures. The Company established the internal communication, reporting and feedback mechanism. The Company has also clearly defined the responsibilities and power of the Board of Directors, the Supervisory Committee, the internal control department and business management departments in respect of internal supervision, inspection and assessment.

The Company highly emphasizes the construction of internal control system and relevant mechanism. The Company comprehensively considered internal environment, risk evaluation, controlling activities, information and communication and internal supervision according to relevant stipulations under the Company Law, the Securities Law, the Regulations on Supervision and Administration of Securities Companies, Guidelines on Internal Control of Securities Firms, the Standardized Operational Guidelines for Companies Listed on Shenzhen Stock Exchange, the Hong Kong Listing Rules, and the Basic Standards for Enterprise Internal Control and its supporting guidelines, and kept improving its internal control system and further established and completed one set of internal control system which matches with the business nature, scale and complexity of the Company according to the actual condition of the Company.

Taking into account changes in internal and external environment and business development, the Company reviewed and evaluated the key aspects of the internal control process, identified deficiencies in a timely manner, continuously improved systems and requirements, refined procedures and measures, and continued to improve the overall internal control of the Company.

2. Significant Defects in Internal Control During the Reporting Period

During the Reporting Period, there is no significant defects in internal control.

XIV. THE COMPANY'S MANAGEMENT AND CONTROL OVER SUBSIDIARIES DURING THE REPORTING PERIOD

As an A+H dual-listed company, the Company strictly adheres to relevant laws and regulations, self-disciplinary rules and regulatory requirements, for instance, the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange, the Self-regulatory Guidelines for Companies Listed on the Shenzhen Stock Exchange No. 1 – Standard Operation of Listed Companies on the Main Board, as well as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and continues to establish and improve its management systems for subsidiaries. Relevant functional departments of the Company conscientiously perform their relevant functions, including management and supporting functions, at our subsidiaries within their respective responsibilities, enabling us to manage and control our subsidiaries in an effective manner.

XV. SELF-ASSESSMENT REPORT ON INTERNAL CONTROL OR AUDIT REPORT ON INTERNAL CONTROL

1. Self-assessment report on internal control

Date of disclosure of the full text of Internal Control and Evaluation Report	March 31, 2022
Disclosure index of full text of Internal Control and Evaluation Report	For details, please visit the website of CNINFO (www.cninfo.com.cn) on March 31, 2022
The percentage of total assets of units included in the evaluation scope to the total assets in the Company's consolidated financial statements	100%
The percentage of total operating income of units included in the evaluation scope to the operating income in the Company's consolidated financial statements	100%



Defect identification criteria

Category	Financial Report	Non-financial Report
Qualitative criteria	<p>The existing significant defects or symptoms of significant defects in internal control in the financial report of the Company, which include: malpractices are conducted by the Directors, Supervisors and senior management; to modify the financial statements that have been published; in the current financial statements, certified public accountants find material misstatements that are not discovered in the process of internal control; non-standard unqualified opinions for financial report are issued by certified public accountants; monitoring of internal control by the Company's Audit Committee and internal auditors is vitiating.</p> <p>Defects in internal control, alone or in conjunction with other defects, in the financial report fail to be prevented or detected and corrected, though not significant deficiencies but aroused close attention from the Board and management and recognized as significant deficiencies.</p> <p>The defects which do not constitute substantial defects or defects of internal control from substantial defects are considered as general defects.</p>	<p>It is likely that sign of significant defects in internal control might exist in the non-financial report of the Company, which include: "three important and one substantial" matters fail to pass through the collective decision procedure; severe departure of management personnel and technicians in key positions, which affects normal course of business; systematic failure in internal control of important business; internal control defects are subject to serious legal risks; internal control defects significantly affect the Company's goodwill; internal control defects are subject to serious administrative punishment; except for the losses due to policies, the Company suffers losses for years and the continuation of business is being challenged, does not meet requirements as a listed company, and may face the risk of delisting or merger in the secondary market; failure of substantial merger or reorganization, or newly expanded affiliate with substantial impact is unable to sustain.</p> <p>Defects in internal control, alone or in conjunction with other defects, though not significant deficiencies but aroused close attention from the Board and management and recognized as significant deficiencies.</p> <p>General defects are those excluding substantial defects and important defects as mentioned above.</p>

Defect identification criteria

Category	Financial Report	Non-financial Report
Quantitative criteria	<ol style="list-style-type: none"> Substantial defect: misstated amount as a result of internal control weaknesses is greater than 5% (inclusive) of annual net profit. Important defect: misstated amount as a result of internal control weaknesses is greater than 1% (inclusive) but less than 5% of annual net profit. General defect: misstated amount as a result of internal control weaknesses is less than 1% of annual net profit. 	<ol style="list-style-type: none"> Substantial defect: misstated amount as a result of internal control weaknesses is greater than 5% (inclusive) of annual net profit. Important defect: misstated amount as a result of internal control weaknesses is greater than 1% (inclusive) but less than 5% of annual net profit. General defect: misstated amount as a result of internal control weaknesses is less than 1% of annual net profit.
The number of substantial defects in financial reports (unit: piece)		0
The number of substantial defects in non-financial reports (unit: piece)		0
The number of important defects in financial reports (unit: piece)		0
The number of important defects in non-financial reports (unit: piece)		0



2. Internal control audit report

Review of the internal control audit report

In the Company's opinion, GF Securities has maintained effective internal control over financial reports in accordance with the Basic Standards for Enterprise Internal Control and related requirements in all material respects.

Disclosure of internal control audit report Disclosed

Disclosure date of full text of internal control audit report March 31, 2022

Disclosure index of full text of internal control audit report For details, please see the website of CNINFO (www.cninfo.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) on March 31, 2022

Opinion of the internal control audit report Standard and unqualified opinion

Whether there is any substantial defect in the non-financial report No

Has the accounting firm issued non-standard opinions with regard to the internal control audit report ?

No

Is the internal control audit report issued by the accounting firm consistent with the self-assessment report of the Board of Directors ?

Yes

XVI. ESTABLISHMENT OF DYNAMIC RISK CONTROL INDICATOR MONITORING AND COMPLEMENT MECHANISM

1. Establishment of the Company's dynamic risk control indicator monitoring mechanism during the Reporting Period

The Company has established and implemented risk control index dynamic monitoring mechanism, and has continuously upgraded and optimized risk control indicators monitoring system as per adjustment of regulatory standard and implementation situation of innovative business. The risk control indicators system of the Company is able to cover the business activities that affect the net capital and other risk control indicators. The Company calculates various risk control indicators daily and prepares full-set calculation form for relevant risk control indicators according to the supervision rules. The Company also sets up automatic warning for risk control indicators according to the pre-set thresholds and monitoring standards. The risk management department of the Company is responsible for monitoring and reporting daily operation situation of each risk control indicator and timely remind the Company of risks. Risk control indicators data and compliance situation will be regularly reported to the regulatory department in accordance with regulatory requirements; as for situation of early warning and non-conformance in respect of risk control indicators, basic situation, causes and solutions in written will be timely reported to the regulatory authority in accordance with 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》).

2. Establishment of sensitivity analysis and stress test mechanism during the Reporting Period

The Company regards stress test tools as significant tools of risk assessment and management of the Company and regularly and from time to time carries out comprehensive and special stress test evaluations to provide support for business decision making and operation management in accordance with requirements of "Guidelines for Stress Test of Securities Companies" (《證券公司壓力測試指引》) and in combination with business development situation and risk management demand. In 2021, the Company has carried out comprehensive stress test and submitted reports on time in accordance with requirements of the Securities Association of China. The Company has carried out special stress test analysis for the Company's important decisions, such as major business scale adjustment and long-term equity investment, and continuously improved risk factor and scenario design, optimized model and method of parameter setting to optimize the effectiveness of stress test results.



3. Establishment of net capital complement mechanism during the Reporting Period

The Company has established dynamic net capital complement mechanism in accordance with the “Guidelines for Capital Replenishment by Securities Companies” (《證券公司資本補充指引》) issued by the Securities Association of China, to broaden capital complement channels, improve capital quality and strengthen capital constraints on an ongoing basis. The Company formulated the Group’s capital management plan which specifies five core elements of capital management, capital complement triggering conditions, capital adequacy evaluation mechanism, capital plan implementation and promotion mechanism. The Company continuously monitors the net capital and related risk control indicators. When the capital complement early-warning indicators related to net capital hit the threshold, the Company will comprehensively evaluate the necessity, feasibility and specific plans of complementing capital to ensure that the Company’s net capital matches the needs of business development.

4. Compliance with risk control indicators during the Reporting Period

In 2021, the Company’s core risk control indicators were in good operation and complied with regulatory standards. As of December 31, 2021, the net assets of the parent company was RMB91,875 million, and net capital was RMB66,167 million, of which supplementary net capital was RMB4,500 million and core net capital was RMB61,667 million. As at the end of 2021, the Company maintained a relatively high security margin for various risk control indicators, which have reserved spacious room for business development.

XVII. RISK MANAGEMENT

(I) Implementation of comprehensive risk management by the Company

The Company has always attached importance to risk management and regarded risk management as its lifeline. Under the guidance of the Group’s overall development strategy planning, the Company takes comprehensive risk management as its supporting system strategy and adheres to the Three Ideas about Risk Management, “to manage risks cautiously; the three defense lines cooperate with each other and each focus on specific aspects; be people-oriented”, and follow the Five Basic Principles, “comprehensive management; objectiveness and fairness; checks and balance; separate and clear duties and power; openness and transparency”. The Company continuously constructs and implements powerful, independent, and precise management and control system, constructs effective overall risk management strategy, organization, system, technology and personnel system, promotes the effective utilization of group risk resources, controls the risks within the scope which matches with the Group’s risk preferences, and supports steady development of the Group’s business. The Company’s comprehensive risk management can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Company reports its risk management in various areas to the Board twice a year through half-year risk management report and annual risk management report. In 2021, while vigorously promoting the development of various businesses, the Company maintained the bottom line of no new material risks and steadily promoted the disposal of existing risk projects. The Company continued to improve the comprehensive risk management system and further improved the systematic level of risk management, which significantly improved the effectiveness of risk management in various businesses.

(II) The Company's investment in compliance and risk control and information technology during the Reporting Period

The Company attaches great importance to the investment in compliance and risk control and information technology. The investment in compliance and risk control and information technology in 2021 is as follows: the investment in compliance and risk control in 2021 was RMB438 million, and the investment in information technology in 2021 was RMB985 million².

XVIII. COMPLIANCE MANAGEMENT SYSTEM CONSTRUCTION AND AUDIT OF AUDITING DEPARTMENT

1. Compliance management system construction

The Company has established the four-level compliance management organization system of “board of directors (risk management committee) – operating management (chief compliance officer) – compliance management department – compliance management personnel of various departments and branches”. The Board of Directors of the Company assumes ultimate responsibility for the effective compliance management and internal control. The Board of Directors reviews and comments on the overall objectives, basic policies, settings of the compliance department and responsibilities thereof, and compliance reports of compliance management. Operating management is responsible for implementing the compliance management objectives, and assumes the leadership for the compliance of the Company's operation and management activities and employee practices. As the person who is responsible for compliance works of the Company, the chief compliance officer reviews, supervises and inspects the compliance of the operation management and practices of the Company and its staff. The Company has established the compliance and legal affairs department to assist the chief compliance officer in his/her works, and has established full-time or concurrent compliance management personnel in various departments, compliance officers in various subsidiaries, compliance managers in various branches, and full-time or concurrent compliance management personnel at all business departments to ensure full coverage of compliance management, among which:

² Compliance and risk control Investment includes compensation of compliance and risk control staff, investment in the construction of relevant compliance and risk control system, day-to-day operation expenses for compliance and risk control work; IT investment includes compensation of IT staff, capital expenditure and IT expenses. Such amount excludes the overlapping investment in compliance and risk control and IT. Such statistics are based on the parent company's data.

- (1) At the level of head office departments: In 2021, the Company continued to improve the compliance management system of all departments at the head office. In view of the basic requirements for compliance management works and the different characteristics of the business lines to which the compliance management personnel belong, the Company formulated assessment objectives and work requirements for different compliance management personnel and embedded them into the implementation and application of its performance appraisal system, so as to guide the compliance management personnel to firmly establish their compliance awareness and effectively perform their duties, strengthen the execution of duties by the front-line compliance management personnel, and further consolidate the first defense line for compliance management.
- (2) At branch level: The Company established compliance managers vertically managed by the compliance department of head office in branches to coordinate the compliance management within their jurisdiction. All 284 securities brokerage branches in operation have established full-time or concurrent compliance management personnel to help the compliance managers of branches carry out compliance management of securities brokerage branches. The Company has realized a dynamic and procedural management on the work of the compliance managers and achieved systematic management on full-time or concurrent compliance posts in business departments. The Company will further explore corresponding mechanism to fully take advantage of the first line compliance management and improve the effectiveness of compliance management.
- (3) At the level of subsidiaries: In 2021, the Company continued to implement the regulatory requirements of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) and the Measures for the Administration of the Formation, Acquisition and Purchase of Non-Controlling Shares of Overseas Business Institutions by Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法》), reinforced the construction of the Group's unified compliance management system and, under the Measures for the Compliance Management of Subsidiaries (《子公司合規管理辦法》) of the Company, continued to urge its subsidiaries to improve their internal compliance management systems and process systems in accordance with their parent companies' compliance management systems, optimized the compliance assessment scheme for the compliance officers of its subsidiaries, and strengthened the compliance management of its subsidiaries by strengthening compliance training, continuously tracking and supervising the rectification works of each subsidiary, convening regular joint meetings, reporting major compliance matters, compliance assessment, compliance inspection and other means.

2. Main work of compliance management during the Reporting Period

- (1) Improvement of compliance management system: In 2021, the Company continued to enhance the compliance management function of the first defense line, strengthen process management and control, and improve the efficiency of business decision-making; improved the establishment of the front-line compliance management team and explored the establishment of a long-term effective mechanism for the joint and coordinated compliance management of the first and the second defense lines, and urged the front-line business to fully play the role of compliance risk prevention and control.
- (2) Compliance management system and workflow construction: During the Reporting Period, the Company updated (including newly promulgated, revised and abolished) more than 220 rules and regulations in total, covering all procedures before, in and after business operation.
- (3) Construction of compliance management information system: In 2021, the Company continued to promote the construction of anti-money laundering, the Chinese wall, irregular transactions, compliance supervision, contract management, rules and regulations and other systems, carried out optimizations from multiple dimensions and utilized technologies to support management to continuously improve the effectiveness of compliance management of the Company.
- (4) Management of the Chinese wall: In carrying out collaborative works of group companies, the Company continued to properly handle conflicts of interest among businesses and manage sensitive information in business operations strictly in accordance with compliance requirements, further standardized the sensitive information reporting mechanism of the parent companies and subsidiary companies to prevent improper flow of sensitive information within the Group, standardized the daily behavior of employees, and continued to improve the management and control of the Chinese wall.
- (5) Compliance consulting and compliance review: In 2021, the compliance department of the Company issued more than 20,000 written consulting and review opinions, providing compliance and legal support for our business developments. Meanwhile, the compliance department of the Company supervised the relevant departments to rectify and improve the compliance risks identified in monitoring and inspection as well as business review, to promote the steady development of business compliance.
- (6) Compliance examination and investigation: The Company organized internal and external special compliance examinations, investigations in relation to departments at the head office, branches and subsidiaries, and carried out routine examination on departments at the head office and branches; and continuously rectified and tracked the problems found in the examination, and strived to continuously improve the Company's compliance management mechanism and lay a solid foundation for the Company's sound operation.



- (7) **Complaint handling:** The Company handled and submitted a total of more than 500 customer complaints with the overall handling rate of more than 90% in 2021. The Company effectively implemented “customer-centric” service concept, properly handled customer disputes to effectively eliminate and prevent related risks.
- (8) **Anti-money laundering:** In 2021, the Company continued to consolidate its management works in respect of anti-money laundering, and continuously enhanced the anti-money laundering management awareness and implementation effectiveness of its departments at the head office, branches and subsidiaries by formulating rules, optimizing anti-money laundering systems, trainings and publicity, special inspections and other means, and effectively fulfilled its anti-money laundering obligations.
- (9) **Compliance appraisal and employee behavior management:** In 2021, in accordance with compliance risk management appraisal and compliance accountability systems and code of conduct of the employees and in response to risk issues and other employees’ practices that are not in compliance with relevant regulations, the Company investigated and punished relevant persons in accordance with relevant regulations, seriously held them accountable in appraisal to ensure that the risk prevention and control responsibilities were put in place, and guided all employees to regulate their professional practices on their own initiatives.
- (10) **Compliance training and compliance culture promotion:** In 2021, the Company carried out real-time compliance training and interpretation of policies and violation cases centering around the Civil Code, the Personal Information Protection Law, incorrupt practice management, suitability management, employee behavior management, the Chinese wall management, new regulations on anti-money laundering, handling of customer complaints and handling of abnormal transactions to promote compliance culture of sound management and fully strengthen the compliance awareness of the employees.

3. Audit of auditing department

During the Reporting Period, taking into account the business development of the Company, the auditing department of the Company conducted risk-orientated internal audits such as regular audit, follow-up audit, special audit and off-office auditing, which strengthened the comprehensive coverage of wholly-owned subsidiaries and various business lines. It also conducted special audits on key and innovative areas, evaluated the soundness and effectiveness of internal control of the auditing targets, revealed the defects discovered during the auditing process, proposed rectification opinions and requirements and established a long-term mechanism to urge the implementation of rectification measures. In 2021, the auditing department of the Company completed a total of 197 audit reports.

XIX. STATEMENT OF THE BOARD OF DIRECTORS ON RESPONSIBILITY OF INTERNAL CONTROL

It is the responsibility of the Board of Directors to establish, complete and effectively implement internal control according to the stipulations in the internal control standard system of the Company, evaluate its effectiveness and reveal assessment report of internal control. The Board monitored, reviewed and evaluated the establishment, the implementation and the effectiveness of various risk management and internal control systems of the Company through the consideration of the Work Report of Risk Management Committee of the Company for the Year, the Work Report of Audit Committee for the Year, Annual Compliance Report, Internal Control and Evaluation Report for the Year and the Report of Risk Management for the Year. The Supervisory Committee supervises the Board of Directors on its establishment and implementation of internal control. Operation management level is responsible for the daily functioning of internal control.

The objectives of the internal control are to reasonably ensure validity and compliance of the operation management, assets safety, authenticity and completeness of financial reports and the relevant information and thus to enhance operation efficiency and effects so as to promote realization of the development strategy. Due to the inherent limitations of the internal control, it can only provide reasonable assurance for the realization of the above targets. The Company has established supervision and examination mechanism on internal control. Once defect in internal control is recognized, the Company will immediately adopt rectification measures. Besides, changes in the situation will cause the internal control to become inappropriate or its degree on compliance with the controlling policy and procedures will be lowered, there will be certain risks to the effectiveness of the internal control in the future as inferred by the result of the evaluation of the internal control.

The Board of Directors has conducted an overall review on the internal control of the Company for the year according to requirements of the Basic Standards of Enterprise Internal Control. It is of the view that the internal control of the Company was effective and adequate as of December 31, 2021.

In 2022, the Company will continue improving its internal control system, standardizing implementation of its internal control system, reinforcing supervision and examination of internal control according to the provisions and requirements of the Basic Standards of Enterprise Internal Control and the Corporate Governance Code in view of the changes in the external operation environment and actual demands of the Company's development so that the Company can have a healthy and sustainable development.



XX. BASIS FOR ESTABLISHING INTERNAL CONTROL FOR FINANCIAL REPORTS

The Company emphasizes the establishment and improvement of internal control system concerning financial reports and has established relevant regulations and systems in business calculation, cost expenditure, financial management and accounting information system management according to the requirements in accounting laws, accounting principles and relevant financial systems. According to the requirements in the Basic Standards of Enterprise Internal Control and Application Guidelines for Enterprise Internal Control, the Company sets scientific financial accounting organization structure, equips with qualified financial accountants, uses standard and rigorous financial accounting management system, and chooses appropriate accounting policies and reasonable accounting evaluation to ensure that the financial reports compiled by the Company conform to the requirements in the accounting principles and can genuinely, accurately and entirely reflect the financial status, operation results and cash flow of the Company. The Company's Supervisory Committee and external auditors conduct effective inspection and supervision over the Company's financial affairs in accordance with the Articles of Association of the Company and relevant requirements, and express professional audit opinions on the Company's financial reports.

During the Reporting Period, the relevant internal control systems relating to the financial reports of the Company were sound; the smooth operation could guarantee the quality of financial reports and ensure high reliability of financial information. During the Reporting Period, there were no significant defects in the internal control relating to the financial reports of the Company and the annual financial reports of the Company are truthful, accurate and complete.

XXI. ACCOUNT STANDARDIZATION

Standardization of the accounts in the Company was launched in July 2006. It is one of the securities companies working on this issue at the earliest time in the industry. The Company had established an account standardization leadership group and an account standardization working group with relevant chief employees as the group members to entirely arrange the work of account standardization on the principle of "overall arrangement, scattering implementation and stable promotion". Through measures including organizing structure, system arrangement, training communication and supervision and audit, it has powerfully guaranteed the launching of account standardization. The Company had checked all accounts in the system and completed account information through contacting customers by all means, and restricted the transactions and placed into other databases for the remaining unqualified accounts according to the requirements of the regulatory authorities and finally the standardization was stably completed. On April 16, 2008, the Company officially passed the review of Guangdong Bureau of the CSRC and became one of the securities companies that first completed the account standardization in advance.

As of December 31, 2021, there were 6,241 unqualified accounts, 2,114,100 dormant accounts, 32,184 risk handling accounts, and 2,164 judicially frozen accounts maintained with the Company.

Account standardization is a long-term fundamental construction project. On the basis of standardizing historical accounts, the Company began constructing and improving long-term accounts management mechanism. According to the relevant arrangement of the China Securities Depository and Clearing Corporation Limited on accounts consolidation, the Company had established an accounts consolidation project team, which actively coordinated all the relevant departments and branch offices to entirely sort out and improve business process revision, business training, system testing and the organization of supervision after consolidating the accounts and successfully completed the relevant work on account consolidation.

XXII. RECTIFICATION OF PROBLEMS FOUND BY SELF-EXAMINATION IN THE SPECIAL ACTIONS ON CORPORATE GOVERNANCE OF LISTED COMPANIES

According to the Announcement on Carrying out Special Actions on Corporate Governance of Listed Companies issued by the CSRC (CSRC Announcement [2020] No. 69) 《關於開展上市公司治理專項行動的公告》(中國證監會公告[2020]69號)) and the Notice on Doing a Good Job in Self-examination and Self-correction for the Special Actions on Corporate Governance of Listed Companies issued by the Guangdong Securities Regulatory Bureau (Guang Dong Zhen Jian Fa [2020] No. 156) 《關於做好上市公司治理專項行動自查自糾工作的通知》(廣東證監發[2020]156號), the Company and relevant shareholders, directors, supervisors and senior management have conducted a comprehensive self-examination on corporate governance in strict accordance with the requirements of the Self-examination List for Special Actions on Corporate Governance of Listed Companies “ issued by the CSRC.

After self-examination, we found some directors, supervisors and senior management personnel of the Company did not attend (or were not present at) the general meeting of shareholders as required. In this regard, the Company has formulated a rectification plan: 1. the Company will continue to strengthen publicity and training on compliance performance in strict accordance with relevant laws and regulations, improve the standardized operation mechanism on corporate governance, and urge all directors, supervisors and senior management of the Company to attend or be present at the general meeting of shareholders in order to comply with legal and regulatory requirements. 2. the Company will allow directors, supervisors and senior management to attend the general meeting of shareholders by telephone or other communication methods, in order to provide support for directors, supervisors and senior management who are unable to attend or be present at the general meeting of shareholders in person due to objective reasons to perform their duties.



XXIII. OTHER ISSUES ON CORPORATE GOVERNANCE

(I) Responsibility to be borne by Directors for the financial statement

The responsibility statement of the Directors on financial statements below shall be read in conjunction with that of the certified public accountants contained in the audit report of this report, while both statements shall be comprehended separately.

The Company's Directors shall compile genuine and fair consolidated financial statements according to the disclosure requirements under the China Accounting Standards, International Financial Reporting Standards issued by the International Accounting Standards Board and the Hong Kong Companies Ordinance. The Company's Directors are also responsible for the necessary internal monitoring of the consolidated financial statements so that there will not be any material misstatements as a result of fraud or errors. The Company is not subject to any event or circumstance of material uncertainty, as a result of which significant doubt may be cast upon the ability of the on-going operation of the Company.

(II) Appointment and remuneration of the auditor

Upon approval by the general meeting of Shareholders in 2020, the Company appointed Ernst & Young as its external auditor for 2021, which is responsible for providing relevant auditing services and reviewing services in accordance with the China Accounting Standards and the International Financial Reporting Standards. The Company appointed Ernst & Young as the accounting firm for internal control audit. Please see details of its employment and remuneration in "VI. Appointment and Removal of Accounting Firms" in "Section 8 Significant Events" in this report.

(III) Securities trading by Directors, Supervisors and relevant employees

The Company has formulated the Management Rule on Shares Held by Directors, Supervisors and Senior Management and Relevant Changes to intensify management of declaration, disclosure and supervision of the holding and trading of the Company's shares by Directors, Supervisors and senior management personnel. Meanwhile, the Company adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for all Directors, Supervisors and relevant employees (as defined in the Code) at the meeting of the Board on March 19, 2015. After specific enquiry of the Directors and Supervisors of the Company, all Directors and Supervisors have strictly followed the standards and code of conducts in the Model Code for Securities Transactions by Directors of Listed Companies during the Reporting Period.

(IV) Company Secretary

The 8th meeting of the Eighth session of the Board of Directors of the Company had approved the Proposal on Appointing the Joint Company Secretary and appointed Mr. Wan Ka Hung as a joint company secretary. During the Reporting Period, Mr. Wan Ka Hung tendered his resignation from the Group because of changes in job arrangement and applied for resignation as a joint company secretary and an authorized representative of the Company. The 16th meeting of the Tenth session of the Board of Directors of the Company appointed Ms. Mok Ming Wai (an executive director of the Corporate Services Division of Tricor Services Limited) as a joint company secretary and an authorized representative of the Company. Mr. Xu Youjun was appointed as the Secretary to the Board and a joint company secretary of the Company at the 19th meeting of the Ninth session of the Board of the Company. Mr. Xu Youjun is the primary corporate contact person at the Company whom Ms. Mok Ming Wai contacts. Mr. Xu Youjun (the Secretary to the Board) and Ms. Mok Ming Wai (a joint company secretary) are the main contact persons of the Company with the Hong Kong Stock Exchange.

During the Reporting Period, in order to better perform their duties and according to the requirements of the Hong Kong Listing Rules, Mr. Xu Youjun, the Secretary to the Board and one of the joint company secretaries, had accepted professional trainings for approximately 150 hours, including: the 56th and 59th seminars on Joint Members to Strengthen Continuing Professional Development organized by the Hong Kong Chartered Governance Institute, the 2020 annual report disclosure training organized by the SZSE, and the special trainings on corporate governance jointly organized by the China Association for Public Companies, the SSE and the SZSE. Ms. Mok Ming Wai, a joint company secretary of the Company, had received professional trainings for more than 15 hours, including: the 22nd Annual Corporate and Regulatory Update held by The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and the seminar on Driving Sustainability through Digital Governance organized by Tricor Hong Kong.

(V) Investor relations

1. *Amendments to the Company's internal rules during the Reporting Period*

- (1) In accordance with the Regulations on the Incurrupt Practices of Securities and Futures Business Institutions and Their Staff 《證券期貨經營機構及其工作人員廉潔從業規定》 issued by the CSRC, the Company has formulated the Management Rules on Incurrupt Practice 《廉潔從業管理制度》, which clarifies that the Board of Directors shall determine the goals for incurrupt practice management and be responsible for the effectiveness of incurrupt practice management. As such, the incurrupt practice management of the Company has been strengthened.



- (2) In accordance with the Securities Law, the Administrative Measures for Information Disclosure of Listed Companies 《上市公司信息披露管理辦法》, the Listing Rules of the Shenzhen Stock Exchange 《深圳證券交易所股票上市規則》, the Guidelines for the Content and Format of Annual Reports of Securities Companies 《證券公司年度報告內容與格式準則》, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other relevant laws and regulations, normative documents, as well as the Articles of Association of the Company, the Rules of Procedure for the Supervisory Committee and other relevant regulations, the Supervisory Committee of the Company has formulated the Guidelines for the Review of Regular Reports of the Supervisory Committee of GF Securities Co., Ltd. 《廣發證券股份有限公司監事會定期報告審核工作指引》, which regulates the review of periodic reports of the Supervisory Committee and promotes the Company's disclosure of information in an authentic, accurate, complete, timely and fair manner.

There were no other material changes made to the Articles of Association of the Company during the Reporting Period.

2. *Investor relation activities during the Reporting Period*

In order to strengthen information communication between the Company and the investors, the Company has formulated the Measures for Management of Information Disclosure 《信息披露事務管理制度》 and the Measures for Management of Investor Relations 《投資者關係管理制度》, and has maintained communications with investors and potential investors in accordance with policies stipulated in these measures. The Measures for Management of Information Disclosure and the Measures for Management of Investor Relations ensures that shareholders and public investors are provided with ready, equal and timely access to data from the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, including financial performance, strategic goals and planning, significant events, corporate governance and risk profile of the Company, so as to strength communications among shareholders, public investors, the Company and the stock exchange of the place where the Company is listed. The Measures for Management of Information Disclosure and the Measures for Management of Investor Relations provide various channels for communications, including the Shenzhen Stock Exchange Interactive Easy Platform, the website of the Hong Kong Stock Exchange, the website of the Company, shareholders' meetings, enquiry hotline and emails. Through these channels, individual and institutional shareholders may maintain communications with the Company and the stock exchange of the place where the Company is listed at any time, and express their opinions. During the Reporting Period, the Supervisory Committee and the independent directors of the Company have conducted regular and special supervision and examination on the implementation of the Company's information disclosure management systems. Based on results of the examination, the Company has established and effectively implemented the information disclosure management system.

Due to the prolonged impact of the COVID-19 pandemic, the Company organized various types of online/offline interactive activities for investors and analysts, based on the regulatory requirements and its business development needs. The Company had enhanced its communications with investors through various tools such as dedicated hotlines for investors, the Company's website, teleconference, onsite reception, strategy meetings, online interaction and results briefings. In 2021, the Company's management team and investor relation team held 30 meetings in various forms with domestic and overseas institutional investors and analysts, met over 100 institutional investors, including 3 presentation meetings on the periodic results of the Company, and replied to 247 questions from investors through the interactive platform of the SZSE.

After its annual and interim results announcements were issued, in order to further introduce its results and operations to investor, the Company actively facilitated its communication with investors and analysts by way of telephone or online method. During the year, the Company held one annual results release briefing, one annual results and presentation one half-year results release briefing. On March 30, 2021, the Company held the 2020 annual results presentation by way of telephone conference, at which approximately 60 analysts and important institutional investors attended. On March 31, 2021, the Company held the 2020 annual results presentation to fully and extensively communicate with investors through online interactive Q&A form, and the meeting was attended by the Chairman of the Company in person. On August 30, 2021, the Company held the 2021 semi-annual results release briefing by way of telephone conference, at which approximately 60 analysts and important institutional investors attended. The Chairman attended the meeting. The Company attaches great importance to communication with small and medium investors, actively responds to the concerns of investors on the Shenzhen Stock Exchange Interactive Easy Platform and has opened two investor hotlines to maintain smooth and effective communication with investors.

In the future, the Company will continue to optimize the construction of the website for the Company's investors relations, the functions of investor hotlines and mailbox, so that investors can understand the Company's development in a convenient, fast, prompt and all-round way. In addition, the Company hopes to actively communicate with investors through results release briefings, results presentations and other means to further enrich investor relation activities and provide better services to investors and analysts.

Please refer to "X. Reception of Activities such as Research, Communication and Interview During the Reporting Period" in "Section 5. Management Discussion and Analysis" of this report for details on the Company's reception of investors.

(VI) Establishment and implementation of Information disclosure system and insider information system of the Company

The Company has formulated the Information Disclosure Management System and the Accountability System for Material Mistakes in Information Disclosure in Annual Report, clearly stipulating the accountability of various departments for information disclosure, the basic principles for information disclosure, the contents for information disclosure, the procedures for information disclosure, the accountability for mistakes in information disclosure, etc. The board secretary and company secretary of the Company are responsible for the Company's information disclosure and are accountable to the Company and the Board of Directors; the office of the Board of Directors of the Company is the specific executive body for information disclosure. The Company conducted information disclosure in strict accordance with the requirements of the Information Disclosure Management System. The Board of Directors of the Company confirmed the effective implementation of the Information Disclosure Management System, ensuring the timeliness and fairness of the Company's relevant information disclosure, as well as the truthfulness, accuracy and completeness of such information disclosure.

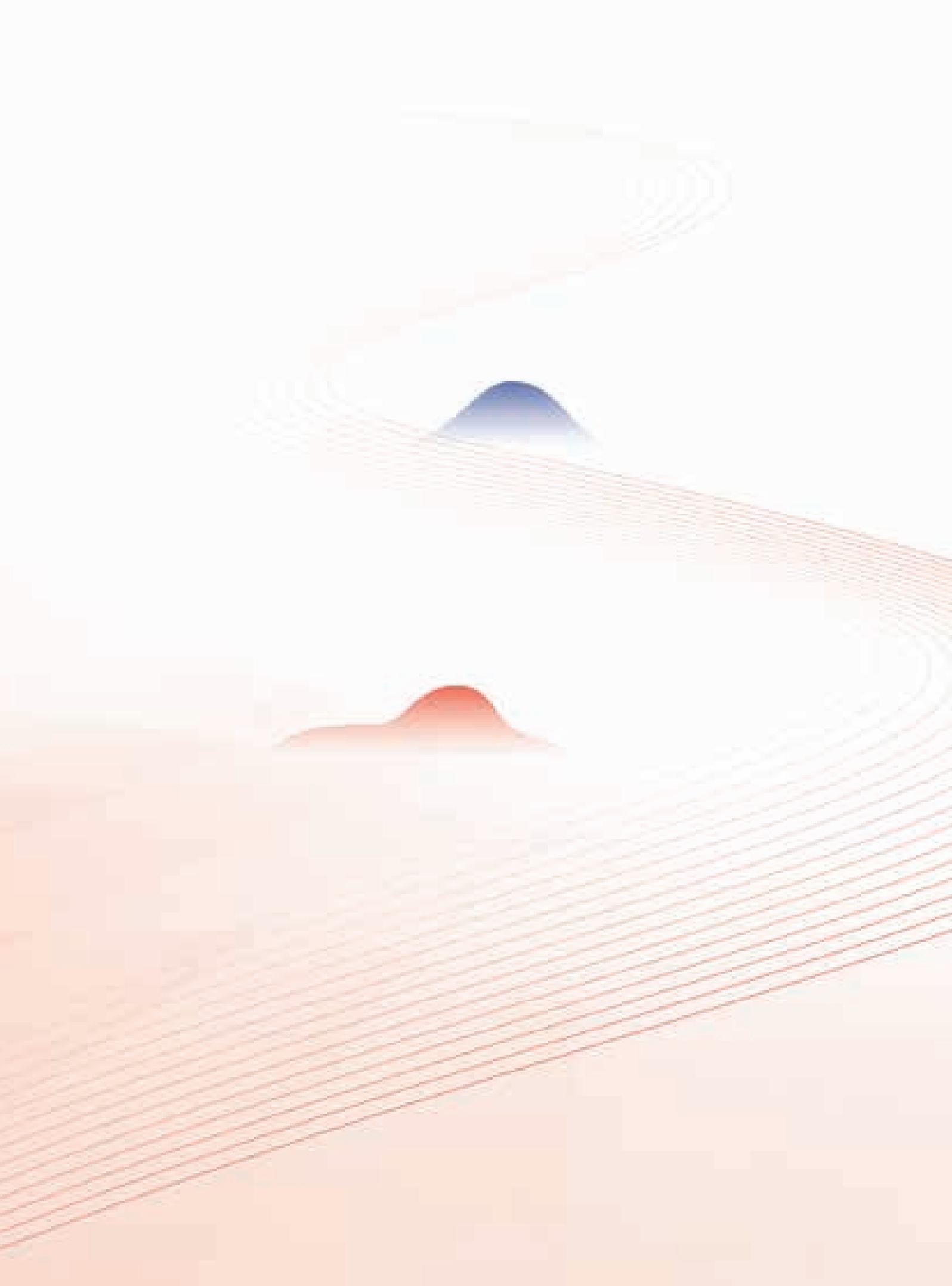


The Company has formulated the Administrative Measures for Insiders of Inside Information 《内幕信息知情人管理办法》 and the Management Procedures for Registration of Insiders of Inside Information 《内幕信息知情人登记管理规程》 to further regulate the management of inside information and strengthen the confidentiality of inside information. Pursuant to the measures, the office of the Board of Directors, which is directly led by the Secretary of the Board of Directors, is the department for management of the Company's inside information and for specific implementation of information disclosure. The Company has signed confidentiality agreements with each of the secretary of the Board of Directors, the securities affairs representative and the staff of the office of the Board of Directors who are responsible for information disclosure which require them to undertake continuous fulfilment of their obligations of confidentiality during and after their terms of office until the relevant information is disclosed. Before the Company regularly announces periodic reports, insiders of inside information such as substantial shareholders and intermediary services agencies of the Company shall actively cooperate with the Company to complete registration of insiders of inside information. Periodic reports and the registration forms for insiders of inside information in respect of the periodic reports shall be submitted simultaneously to the SZSE.

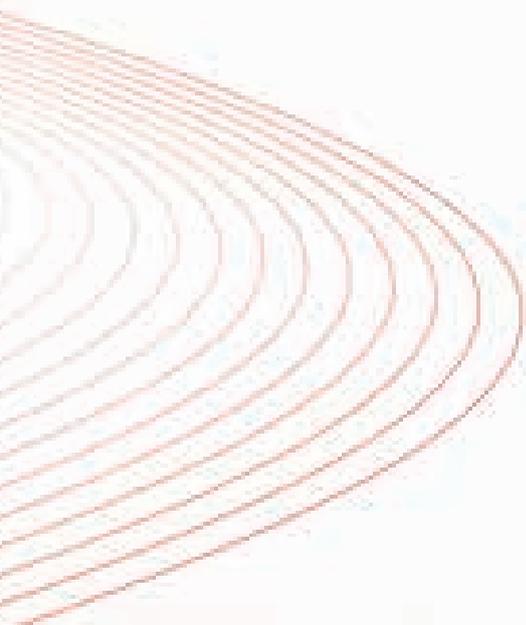
During the daily business operation of the Company, the Chairman of the Board of Directors and the General Manager are the primary persons responsible for maintaining confidentiality of the Company's inside information; while the deputy general manager and other senior management staff are the primary persons responsible for maintaining confidentiality of business and inside information of departments; and the primary persons in charge of each branch and controlled subsidiary are the primary person responsible for maintaining confidentiality of inside information of their own units. Business staff who may access to inside information in their course of business also have obligation of confidentiality. The office of the Board of Directors is responsible for the truthful and completeness of the record of the list of insiders of inside information during all stages such as the preparation, transmission, examination and disclosure of inside information before their disclosure, and for keeping relevant records for the contents and time of inside information which are known by insiders for the purpose of the Company's self-inspection and enquiry by regulatory authorities and, based on specific matters, regularly reports insiders of inside information through the Internet Monitoring Information Platform of Guangdong Bureau of the CSRC.

The Company has formulated the Administrative Measures for Users of External Information 《外部信息使用人管理办法》, pursuant to which relevant departments and the subsidiaries of the Company shall, before external reporting of information according to laws and regulations and other requirements, make sure such information be reviewed and approved through relevant internal procedures and also reviewed and approved by the Secretary of the Board of Directors. Information to be reported externally by the Company involving significant matters shall be considered as inside information. Managing personnel of relevant departments and controlled subsidiaries of the Company shall serve to the relevant personnel of the receiving party a reminder of confidentiality. The office of the Board of Directors has established a system for registration of external use of information which is filed and recorded item by item in chronological order by designated staff. The contents for registration mainly include the departments and managers for information transmission, the information title, the serviced unit, the time of delivery, the way of delivery, whether going through approval (if any), and whether a reminder of confidentiality is provided. Meanwhile, external units and relevant staff shall be recorded and filed as insiders of inside information for inspection.

During the Reporting Period, the Supervisory Committee and independent directors organized daily and special supervision and inspections on the implementation of the Company's Information Disclosure Management System. According to the inspection results, the information disclosure management system of the Company has been established and implemented effectively.



SECTION 7
ENVIRONMENTAL
AND SOCIAL
RESPONSIBILITIES



I. MATERIAL ENVIRONMENTAL PROBLEMS

The Group is a financial enterprise and not a key pollutant discharge unit announced by the environmental protection authority.

The Group has strictly complied with laws and regulations, including the Environmental Protection Law of the PRC and the Energy Conservation Law of the PRC. Green operation has been applied throughout the entire course of operational management, by emphasizing on the green and environmental protection concepts in operation to realize sustainable growth and achieve the organic fusion of social, environmental and economic benefits.

1. Energy Conservation and Emissions Reduction

During the Reporting Period, the Company fully implemented energy conservation and emissions reduction. Low-energy products were our priorities while purchasing internal electrical equipment for GF Securities Tower, which, combined with relevant rectification measures, can reduce energy consumption; intelligent control was adopted for the lighting system, air conditioning system and elevator system which were regulated over time based on lighting conditions, external temperature and traffic usage to avoid prolonged operation of high energy consumption equipment; proper air-conditioning temperature was maintained at the office area, the operation of air-conditioning system and equipment was monitored with operating parameters to be adjusted timely to ensure efficient operation of such system and reduce energy consumption; the replacement of water use plan and the adjustment of air conditioning temperature in the infield wiring room were completed, which, together with the renovation of infield lighting technology, saved approximately 19,000 kWh of electricity each month based on comprehensive assessment.

During the Reporting Period, the Company organized the refined energy consumption management, and controlled the on-site energy consumption process through various means such as formulating relevant operational requirements and standards, fixing positions and responsibilities, implementing on-site management signs, carrying out personnel training, and subsequently through daily inspection, to effectively reduce energy consumption rate and avoid the waste of materials.



2. Green Office

The Company advocated the concept of green office through regular green office publicity and training activities among employees. During the Reporting Period, waste sorting was implemented in an all-round way in GF Securities Tower with training on waste sorting carried out in batches for our staff in the building; green dining was implemented by cancelling the use of disposable tableware in our restaurant; pickup points of disposable water cups were reduced on a certain floor; employees were encouraged to take public transportation tools and a transit bus route was opened; paperless conference rooms were established to advocate a green concept of electronic office; printer was set to black and white and double-sided printing as default option to reduce color printing and paper consumption; waste paper, after being recycled and sorted, was delivered to a third party for recycling.

II. SOCIAL RESPONSIBILITIES

During the Reporting Period, while pursuing for economic benefits, the Group also emphasized on serving customers, assisting staff to achieve success and generating return for shareholders, positive contributions were also made to society and the public to fulfil the values of “corporate citizenship”.

During the Reporting Period, the Group’s social welfare expenses amounted to a total of RMB63.9320 million (including the donation to the “GF Securities Social Charity Foundation in Guangdong Province” by the Company and the social welfare expenses of wholly-owned and holding subsidiaries). The “GF Securities Social Charity Foundation in Guangdong Province” established by the Group had been actively participating in rural revitalization and education promoting activities and incurred social welfare expenses of approximately RMB56.3495 million during the Reporting Period.

During the Reporting Period, the Group donated RMB20,000,000 to the Red Cross of Guangzhou city to support the local prevention and control of epidemic. Under the leadership of the municipal government of Guangzhou, the sum was used for epidemic preventive control of novel coronavirus pneumonia in Guangzhou. The Group and the GF Securities Social Charity Foundation in Guangdong Province donated RMB6 million to support the disaster relief and reconstruction in the flood-stricken areas in Henan and Shanxi and was one of the earliest enterprises in the industry to donate to the disaster-stricken areas. The Company donated RMB6 million and, in tandem with the selection activity of “30 Advanced Model Employees for the 30th Anniversary”, set up education funds of “Love and Gratitude for Alma Mater” in a number of colleges, universities and primary and secondary schools across the country to express gratitude to the schools for cultivating talents for the society and the Company. Moreover, the Group continuously developed micro enterprising initiatives for university students, the Gypsophila reading plan for village children, “Free Breathing” severe pneumonia relief, specialized nursing classes and other public welfare programs through the GF Securities Social Charity Foundation in Guangdong Province.

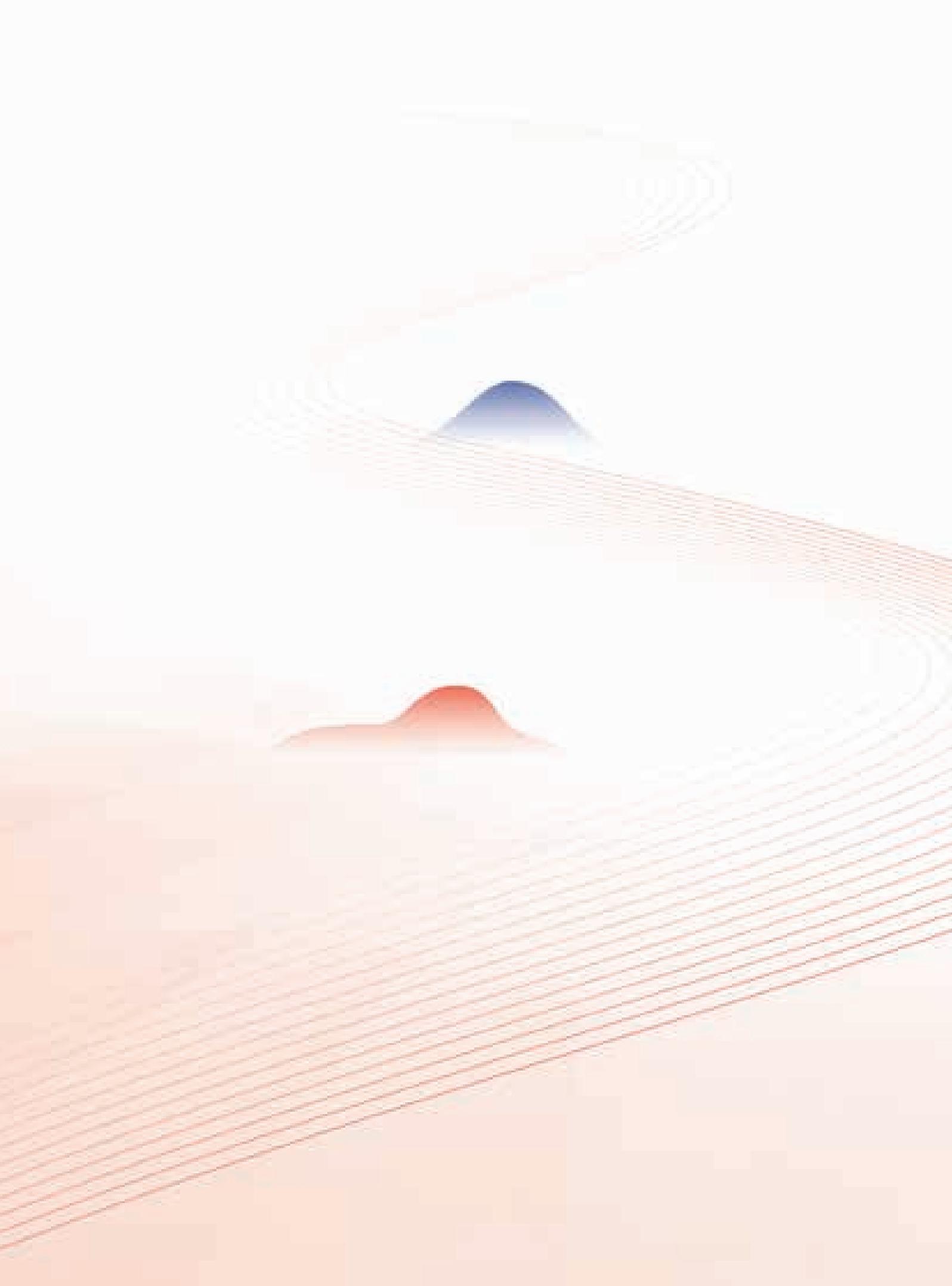
The Group's wholly-owned and holding subsidiaries actively assumed their responsibilities as corporate citizenship to contribute to the development of society. During the Reporting Period, GF Futures completed a total of 8 "insurance + futures" projects; invested a total of RMB1.33 million to provide public welfare assistance to the flood-stricken areas in Henan Province, Tongbai County in Henan Province, Jiangcheng County in Yunnan Province, Taihu County in Anhui Province, Qiubei County in Wenshan Prefecture, Yunnan Province, poverty-stricken college students in Peking University and South China University of Technology; provided consumer support in agricultural products to Yanchang County in Shaanxi Province; and supported agricultural products of Taihu County in Anhui Province, Jiangcheng County in Yunnan Province, Laifeng County in Hubei Province, Zhouzhi County and Yanchang County in Shaanxi Province to be launched on e-commerce platform. During the Reporting Period, GF Fund quickly responded to emergency and disaster relief plans and donated more than RMB10 million for various fields of social concern such as the reconstruction after heavy rainstorms in Henan Province and the combat against the COVID-19 epidemic; actively carried out teaching and learning assistance to provide financial support for primary school students with financial difficulties in Fenxi County, Shanxi Province and students in financial distress from Guangdong Women's Polytechnic College to help them successfully complete their studies; improved adolescent reading quality and interests by funding the establishment of public welfare libraries in campus; and vigorously supported rural revitalization by donating funds to help Xinghe County in Inner Mongolia develop special planting projects and supporting various projects to improve local living environment such as the projects to improve the village appearance and education and school conditions of Mabian Yi Autonomous County, Leshan City, Sichuan Province.

Please refer to the 2021 Corporate Social Responsibility Report of GF Securities Co., Ltd. concurrently disclosed with this Annual Report on the website of CNINFO (www.cninfo.com.cn) and the HKEXnews website of Hong Kong Stock Exchange (www.hkexnews.hk) for details.

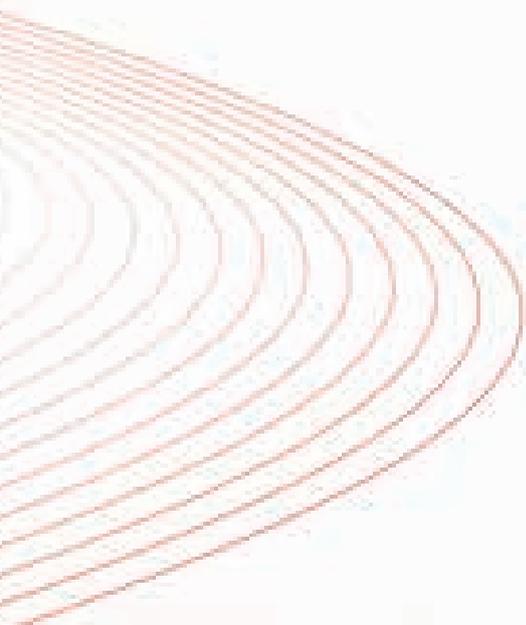


III. EFFORTS TO CONSOLIDATE AND EXPAND POVERTY ALLEVIATION RESULTS TO PUSH FORWARD VILLAGE REVITALIZATION

During the Reporting Period, the Company donated RMB10 million to support rural revitalization at the “Guangdong Poverty Alleviation Day” in 2021. The Group initiated the unification of the village revitalization township and village support team of Guangdong Province as a member unit in the provision of support and alleviation work, by uniting efforts under the leadership of the Development and Research Center of the Municipal Government of Guangdong Province to carry out alleviation work in Zhen’an township in Yunan District of Yunfu city. The Group designated 4 employees to carry out specific assistance works in the township, formulated a five-year assistance work plan and an annual assistance plan, and carried out assistance measures for households under monitoring for returning poverty. The Group introduced various resources for the economic development of Zhen’an, promoted the industrial zone construction plan and the famous agricultural products of Zhen’an township at the Rural Revitalization Exhibition of the Guangzhou Financial Expo, and built a playground of 1,000 square meters for Zhen’an Jinyuan Hope Primary School. The Group continued to consolidate the results in poverty alleviation in the three national-level poverty-stricken counties paired with assistance in Hainan Province, boosted the “United Nations Sustainable Development Demonstration Village” project in an orderly manner, continued to follow up on the development of the demonstration plantation base for hairy mountain fig (五指毛桃) in Baisha County of Hainan Province, and distributed more than RMB1.5 million to villagers in difficulty; and continued to make donations to the “GF encouragement classes” in the Hainan Health Management Vocational College and provided support for more than 200 students. The Company successfully completed the paired poverty alleviation tasks in Tianjinggang Village, and donated RMB1 million of special funds for rural revitalization to increase the village’s collective economic income and consolidate and expand the poverty alleviation results. During the Reporting Period, the Group carried out consumption assistance through trade union organizations, with a cumulative participation of more than 20,000 persons and an amount of over RMB11 million. During the Reporting Period, the Company was awarded the bronze prize of “Guangdong Poverty Alleviation Red Cotton Cup (廣東扶貧濟困紅棉杯)” and its poverty alleviation teams and poverty alleviation cadres were appraised as collectives and individuals with outstanding contributions to poverty alleviation in the province.



| SECTION 8
SIGNIFICANT EVENTS



I. IMPLEMENTATION OF COMMITMENTS

1. Commitments Performed during the Reporting Period or Not Yet Performed as of the End of the Reporting Period by the de facto Controller of the Company, Shareholders, Related Parties, Purchasers and the Company

Cause of Commitment	Undertaking party	Type of Commitment	Details of Commitment	Date of Commitment	Term of Commitment	Performance
Share conversion undertakings/ undertakings made in acquisition report or equity changes report/ undertakings made in asset restructuring	The Company and its shareholders, directors, supervisors and senior management	Others	<p>1. GF Securities and its Directors, Supervisors and senior management have made undertakings that upon completion of this transaction, GF Securities, as a public company, will strictly perform its obligations in information disclosure and investor education. After listing, in addition to meeting the requirements for information disclosure by listed companies in general, GF Securities will make sufficient disclosure in regular reports on information regarding customer asset protection, risk control, compliance inspection, commencement of innovative business and risk management according to its own characteristics to enhance the unveiling of risks for investors. 2. GF Securities and its Directors, Supervisors and senior management have made undertakings that they will strictly comply with the requirements of the Administrative Measures for Risk Control Indicators of Securities Companies, enhance the risk management system, improve the risk monitoring mechanism, establish a real-time risk monitoring system, strengthen dynamic monitoring of risks and enhance capabilities in identifying, measuring and controlling risks to enhance the level of risk management. 3. To avoid peer competition with the surviving company after share conversion and merger by absorption and regulate possible related transactions, Liaoning Cheng Da and Jilin Aodong have made the following undertakings: ① Being the largest and second largest shareholders of the surviving company after share conversion and merger by absorption, they have undertaken not to operate the same business as that operated by the surviving company, and not to indirectly operate or participate in the investment of enterprises which compete or may compete with the business of the surviving company. At the same time, they have also warranted that they will not use their capacity as shareholders to harm the proper interest of the surviving company and other shareholders. In addition, they will procure their wholly-owned subsidiaries or subsidiaries in which they have more than 50% equity interest or relative controlling interest to comply with the above undertakings. ② With respect to related transactions conducted by Liaoning Cheng Da and Jilin Aodong and their respective related parties with the surviving company in future, the decision-making procedure for related transactions of listed companies will be strictly performed and the market pricing principles will be observed to ensure fairness, impartiality and equity and the legitimate interest of minority shareholders will not be prejudiced. 4. Liaoning Cheng Da and Jilin Aodong have issued the Undertakings on Maintaining the Independence of Yan Bian Road Construction Co., Ltd. respectively and warrant to realize staff independence, asset independence, business independence, financial independence and organization independence with the Company.</p>	February 6, 2010	Nil	All undertaking parties have strictly performed the undertakings.

SIGNIFICANT EVENTS

Cause of Commitment	Undertaking party	Type of Commitment	Details of Commitment	Date of Commitment	Term of Commitment	Performance
Net capital guarantee undertaking provided to GF Asset Management	GF Securities	Others	In order to support GF Asset Management for its continuous compliance with the regulatory requirements on risk indicators, the Company has provided GF Asset Management with additional net capital guarantee undertakings of up to RMB3 billion (RMB3 billion inclusive), among which, net capital guarantee undertakings of RMB2.5 billion were provided for a term from the date on which the same was considered and approved by the board of directors until September 30, 2016; and net capital guarantee undertakings of RMB0.5 billion were provided for a term until its net capital was able to satisfy the requirements of the regulatory authority on an ongoing basis.	July 18, 2016	Net capital guarantee undertakings of RMB2.5 billion were provided for a term from the date on which the same was considered and approved by the board of directors until September 30, 2016; and net capital guarantee undertakings of RMB0.5 billion were provided for a term until its net capital was able to satisfy the requirements of the regulatory authority on an ongoing basis.	GF Securities strictly performed the undertakings.
Whether the undertakings were performed timely?						Yes

2. If there are profit forecasts for the assets or projects of the Company and the Reporting Period is within the period of the profit forecasts, particulars of the Company's assets or projects reaching the original profit forecasts and the reasons

N/A

3. Commitments made by the Company's shareholders and counterparties in relation to operating performance in the reporting year

N/A

II. USE OF THE LISTED COMPANY'S FUNDS BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES FOR NON-OPERATING PURPOSES

The Company did not have a controlling shareholder nor a de facto controller. During the Reporting Period, no funds of the Company were used by the largest shareholder and its related parties for non-operating purposes.

III. NON-COMPLIANCE IN EXTERNAL GUARANTEES

During the Reporting Period, there was no issue of non-compliance in external guarantees of the Company.

IV. STATEMENT ON THE LATEST "NON-STANDARD AUDIT REPORT" BY THE BOARD OF DIRECTORS

N/A

V. STATEMENT ON ACCOUNTING FIRM'S "NON-STANDARD AUDIT REPORT" OF THE REPORTING PERIOD BY THE BOARD OF DIRECTORS, SUPERVISORY COMMITTEE AND INDEPENDENT DIRECTORS (IF ANY)

N/A

VI. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRMS

1. Currently Appointed Accounting Firms

PRC Accounting Firm	Ernst & Young Hua Ming LLP
Audit remuneration of PRC Accounting Firm (RMB million)	RMB2.36
Continuous term of auditing service of PRC Accounting Firm	4 years
Name(s) of certified public accountant(s) of the PRC Accounting Firm	Chang Hua, He Yanyi
Continuous term of auditing service of certified public accountant(s) of PRC Accounting Firm	2 years for Chang Hua, 4 years for He Yanyi
International Accounting Firm	Ernst & Young
Audit remuneration of International Accounting Firm (RMB million)	RMB1.42
Continuous term of auditing service of the International Accounting Firm	4 years
Name(s) of certified public accountant(s) of the International Accounting Firm	Wu Zhiqiang
Continuous term of auditing service of certified public accountant(s) of the International Accounting Firm	1 year

Note: The above is the audit/review fees for the regular report of the Company, which does not include the audit fees for consolidated subsidiaries.



Whether there is any change in accounting firm in the current period

No

Whether there is any change in accounting firm during the audit period

No

2. Appointment of Accounting Firm for Internal Control Audit, Financial Advisor or Sponsor

In 2021, the Company appointed Ernst & Young Hua Ming LLP as accounting firm for internal control audit with auditing fees at RMB350,000.

3. Changes in Accounting Firm During the Past Three Years

There is no change in the accounting firm of the Company during the past three years.

VII. SUSPENSION AND TERMINATION OF LISTING AFTER THE DISCLOSURE OF ANNUAL REPORT

N/A

VIII. SIGNIFICANT ISSUES OF THE COMPANY ABOUT BANKRUPTCY REORGANIZATION, MERGER, SEPARATION, ESTABLISHMENT AND DISPOSAL OF SUBSIDIARIES, BRANCH COMPANIES AND BUSINESS DEPARTMENTS, ETC.

1. Relevant matters about bankruptcy reorganization

There were no relevant matters about bankruptcy reorganization during the Reporting Period.

2. Merger or separation of the Company

N/A

3. Establishment and disposal of subsidiaries, branch companies and business departments

(1) Relocation of business departments

As of December 31, 2021, the Company has 25 branch companies and 284 securities brokerage branches, covering 31 provinces, municipalities directly under the Central Government and autonomous regions in Mainland China. In 2021, a total of 32 branches of the Company were renamed or relocated:

No.	Name after change	Name before change
1	Securities Business Department of GF Securities Co., Ltd. at Wenming First Road, Huizhou	Remained unchanged by relocation
2	Securities Business Department of GF Securities Co., Ltd. in Dalang, Dongguan	Remained unchanged by relocation
3	Securities Business Department of GF Securities Co., Ltd. at Jianshe North Street, Shijiazhuang	Securities Business Department of GF Securities Co., Ltd. at Zhongshan East Road, Shijiazhuang
4	Securities Business Department of GF Securities Co., Ltd. in Heshan, Jiangmen	Securities Business Department of GF Securities Co., Ltd. at Xincheng Road, Heshan
5	Hebei Branch of GF Securities Co., Ltd.	Remained unchanged by relocation
6	Hainan Branch of GF Securities Co., Ltd.	Remained unchanged by relocation
7	Securities Business Department of GF Securities Co., Ltd. at South Zhonghuan Street, Taiyuan	Securities Business Department of GF Securities Co., Ltd. at Xinjian South Road, Taiyuan
8	Securities Business Department of GF Securities Co., Ltd. at Shennan Avenue, Shenzhen	Securities Business Department of GF Securities Co., Ltd. at Tian'an Innovation and Technology Plaza, Shenzhen
9	Securities Business Department of GF Securities Co., Ltd. at Panpan Road, Yingkou	Securities Business Department of GF Securities Co., Ltd. at Xuefu Road, Yingkou
10	Securities Business Department of GF Securities Co., Ltd. at Chengde Road, Shunde, Foshan	Securities Business Department of GF Securities Co., Ltd. at Yihe Road, Shunde, Foshan
11	Securities Business Department of GF Securities Co., Ltd. at Dongwu North Road, Suzhou	Securities Business Department of GF Securities Co., Ltd. at Zhongying Avenue, Wujiang
12	Securities Business Department of GF Securities Co., Ltd. at Heping Avenue, Wuhan	Securities Business Department of GF Securities Co., Ltd. at Youyi Avenue, Wuhan
13	Securities Business Department of GF Securities Co., Ltd. in Dali, Nanhai, Foshan	Securities Business Department of GF Securities Co., Ltd. at Zhuji South Road, Nanhai, Foshan
14	Securities Business Department of GF Securities Co., Ltd. at Leshan Avenue, Zhumadian	Securities Business Department of GF Securities Co., Ltd. at Xuesong Avenue, Zhumadian
15	Changchun Branch of GF Securities Co., Ltd.	Remained unchanged by relocation
16	Securities Business Department of GF Securities Co., Ltd. in Qujiang, Shaoguan	Remained unchanged by relocation
17	Securities Business Department of GF Securities Co., Ltd. at Yan'an Road, Hangzhou	Securities Business Department of GF Securities Co., Ltd. at Fengqi Road, Hangzhou

SIGNIFICANT EVENTS



No.	Name after change	Name before change
18	Securities Business Department of GF Securities Co., Ltd. in Mianbei, Chaoyang, Shantou	Securities Business Department of GF Securities Co., Ltd. in Miancheng, Chaoyang, Shantou
19	Securities Business Department of GF Securities Co., Ltd. at Hongjialou South Road, Jinan	Securities Business Department of GF Securities Co., Ltd. at Jingqi Road, Jinan
20	Securities Business Department of GF Securities Co., Ltd. in Lishui, Nanhai, Foshan	Remained unchanged by relocation
21	Jiangxi Branch of GF Securities Co., Ltd.	Securities Business Department of GF Securities Co., Ltd. at Beijing West Road, Nanchang
22	Hunan Branch of GF Securities Co., Ltd.	Securities Business Department of GF Securities Co., Ltd. at Wuyi Road, Changsha
23	Guangxi Branch of GF Securities Co., Ltd.	Securities Business Department of GF Securities Co., Ltd. at Fengxiang Road, Nanning
24	Shanxi Branch of GF Securities Co., Ltd.	Securities Business Department of GF Securities Co., Ltd. at Xinjian South Road, Taiyuan
25	Xi'an Branch of GF Securities Co., Ltd.	Remained unchanged by relocation
26	Securities Business Department of GF Securities Co., Ltd. at Yingwu Avenue, Wuhan	Securities Business Department of GF Securities Co., Ltd. at Hanyang Avenue, Wuhan
27	Securities Business Department of GF Securities Co., Ltd. at Radio and Television Financial Center, Shenzhen	Securities Business Department of GF Securities Co., Ltd. at Caitian Road, Shenzhen
28	Securities Business Department of GF Securities Co., Ltd. at Tianfu Avenue, Chengdu	Remained unchanged by relocation
29	Securities Business Department of GF Securities Co., Ltd. at Zhongshan Road, Xinyu	Remained unchanged by relocation
30	Securities Business Department of GF Securities Co., Ltd. at Dongbin Road, Shenzhen	Remained unchanged by relocation
31	Anhui Branch of GF Securities Co., Ltd.	Securities Business Department of GF Securities Co., Ltd. at Changjiang Middle Road, Hefei
32	Securities Business Department of GF Securities Co., Ltd. at Chasheng Road, Shangrao	Securities Business Department of GF Securities Co., Ltd. at Binjiang West Road, Shangrao

(2) Establishment of branch companies and securities brokerage branches during the Reporting Period

During the Reporting Period, the Company newly established eight securities business departments, namely Securities Business Department of GF Securities Co., Ltd. at Huandao East Road, Hengqin, Zhuhai, Securities Business Department of GF Securities Co., Ltd. at Tianfu Avenue, Chengdu, Securities Business Department of GF Securities Co., Ltd. at Aofeng Road, Fuzhou, Securities Business Department of GF Securities Co., Ltd. at Nanhai Avenue, Haikou, Securities Business Department of GF Securities Co., Ltd. at Zhongshan West Road, Shijiazhuang, Securities Business Department of GF Securities Co., Ltd. at Hongmian Road, Songshanhu, Dongguan, Securities Business Department of GF Securities Co., Ltd. at Chenyue Road, Guangzhou and Securities Business Department of GF Securities Co., Ltd. at Bohai Road, Renqiu; and closed Securities Business Department of GF Securities Co., Ltd. at Chaoyang Street, Liaoyang.

As of the end of December 2021, the Company intended to establish 26 new securities business departments. Preparations works are in progress with authorisation by the Board.

During the Reporting Period, according to the needs of business development, the Company changed five Business Departments into branches: Nanning Fengxiang Road Business Department was changed to Guangxi Branch, Hefei Changjiang Middle Road Business Department was changed to Anhui Branch, Changsha Wuyi Road Business Department was changed to Hunan Branch, Taiyuan South Zhonghuan Street Business Department was changed to Shanxi Branch, and Nanchang Beijing West Road Business Department was changed to Jiangxi Branch.

(3) Changes in subsidiaries

In December 2021, the Company completed the transfer of 100% equity of its wholly-owned subsidiary, GF Hexin Industry Investment Management Co., Ltd., and the Company no longer holds its equity. For other changes in subsidiaries, please refer to “III. Analysis on Financial Statements – (4) Explanation of Changes in the Consolidation Scope of Financial Statements” in Section 5 of this report.

The above establishment, closure and disposal activities have no significant impact on the Company’s results.

4. Major asset disposal, acquisition, replacement and divestment

N/A

5. Restructuring of other companies

N/A



IX. SIGNIFICANT LITIGATION AND ARBITRATION

During the Reporting Period and as of the end of the Reporting Period, the Group was not involved in any material litigation or arbitration.

As of December 31, 2021, the Group was involved in 95 litigation and arbitration cases (including those initiated by and against the Group) pending for final judgment or ruling and completed execution, involving a total amount of claims at approximately RMB9.569 billion. Among which, 76 cases were initiated by the Group, involving a total amount of claims at approximately RMB8.739 billion; and 19 cases were initiated against the Group, involving a total amount of claims at approximately RMB830 million. The Group has made a provision of approximately RMB18 million in relation to the above litigation or arbitration.

X. PENALTY AND RECTIFICATION

1. On March 29, 2021, the CSRC issued an administrative penalty decision ([2021] No. 15) against Jiang, former general manager of the securities business department of the Company at Jingshan Road, Zhuhai, who as a securities practitioner traded stocks illegally in violation of the provisions of paragraph 1 of Article 43 of the Securities Law of 2005. This act constituted an illegal act set out in Article 199 of the Securities Law of 2005. An administrative penalty was imposed by the CSRC on Jiang of confiscating illegal gains of RMB14,996,248.43 with a fine of RMB14,000,000.

In this regard, the Company took accountability measures to dismiss Jiang in accordance with its internal rules and regulations.

2. On October 11, 2021, the Company received the Decision on Adopting Regulatory Measures for Issuing Warning Letters to Lin, Lin and Xu as Responsible Persons of Financial Adviser (Letter of Decision of Administrative Regulatory Measures from Guangdong Bureau of the CSRC [2021] No. 78) (《關於對財務顧問主辦人林某某、林某某、許某某採取出具警示函措施的決定》(廣東證監局行政監管措施決定書[2021]78號)) from Guangdong Bureau of the CSRC, which states that in the course of practice, the three business personnel had problems such as insufficient verification of some matters and inadequate implementation of visit procedures, which did not comply with relevant requirements of Articles 3, 19 and 21 of the Administrative Measures on Financial Advisory Business for Mergers and Acquisitions of Listed Companies.

In this regard, the Company learned the lessons seriously and continued to standardize the due diligence procedures, strengthen publicity and guidance on compliance and risk control and continuously improve the quality of investment banking business practice.

3. On October 25, 2021, GF Futures, a wholly-owned subsidiary of the Company, received the Decision on Adopting Regulatory Measures for Ordering for Correction against GF Futures Co., Ltd. (Letter of Decision of Administrative Regulatory Measures from Guangdong Bureau of the CSRC [2021] No. 105) (《關於對廣發期貨有限公司採取責令改正措施的決定》(廣東證監局行政監管措施決定書[2021]105號)) from Guangdong Bureau of the CSRC, which states that the subsidiary of GF Futures had a number of operational risk events since 2019, which caused economic losses. It reflected that GF Futures did not manage and control the risks of its subsidiaries adequately and failed to improve its risk control system constantly.

In this regard, GF Futures implemented the rectification requirements seriously, continuously improved its internal control, effectively strengthened its management and control over subsidiaries, internally held relevant personnel accountable, and submitted the Rectification Report on Strengthening Risk Management and Control over Subsidiaries to Guangdong Bureau of the CSRC.

4. On December 1, 2021, the Company received an administrative penalty decision (Yue Hui Chu [2021] No. 12) from the Guangdong Branch of the State Administration of Foreign Exchange (hereinafter referred to as the “Guangdong Administration of Foreign Exchange”), pointing out that the Company violated regulations in handling capital account fund receipt and payment, opening B-share capital accounts, handling non-in-person withdrawal of B-share funds and colluding in the use of foreign exchange accounts and the Guangdong Administration of Foreign Exchange decided to impose a fine on the Company with a total amount of RMB940,000.

The Company attached great importance to this issue, organized and carried out relevant rectification works to solve existing problems one by one, continuously improved the Company’s internal system and process, and submitted a rectification report to the Guangdong Administration of Foreign Exchange.

XI. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the Reporting Period, the Company did not have valid court judgments pending for execution or relatively large amount of outstanding debt pending for payment.

The Company did not have controlling shareholder or de facto controller. The largest shareholder of the Company, Jilin Aodong, and its de facto controller did not have any valid court judgment pending for execution or relatively large amount of outstanding debt pending for payment during the Reporting Period.



XII. MAJOR RELATED/CONNECTED TRANSACTIONS

1. Related/connected Transactions Relating to Day-to-day Operations

The related/connected transactions of the Group are conducted pursuant to the SZSE Listing Rules, Hong Kong Listing Rules, Connected Transaction Management Rules and Information Disclosure Management Rules of the Company, the related/connected transactions of the Group observe the fair and reasonable principles, and the agreements on related/connected transactions were entered into under the principles of equality, willingness, pricing equality and compensation.

The continuing related/connected transactions relating to day-to-day operations are transactions in which the Group provides investment banking, wealth management, trading, institution and investment management services to the related/connected parties.

In 2021, our day-to-day related transactions were executed subject to the Proposal on Estimates of Annual Day-to-day Related/Connected Transactions in Year 2021 of the Company passed by the 2020 Annual General Meeting upon deliberation.

The investment banking, wealth management, trading, institutional and investment management services in respect of day-to-day operations provided by the Group to related/connected persons were conducted in the ordinary and usual course of business and on normal commercial terms, they were exempt continuing connected transactions under the Hong Kong Listing Rules, namely the de minimis transactions, and such transactions were exempt from the requirements of reporting, announcement and approval by independent shareholders under Chapter 14A of the Hong Kong Listing Rules.

During the Reporting Period, the Company did not have related/connected transactions with any related/connected party with aggregated transaction amount of over RMB30 million and accounting for more than 5% of its latest audited net asset value during its normal and ordinary business.

2. Related Transactions in respect of Acquisition and Sale of Assets or Equity Interest

As at the end of the Reporting Period, the Company did not have any major related transactions in respect of acquisition and sale of assets or equity interest.

On January 22, 2020, at the 25th Meeting of the Ninth Session of the Board of Directors of the Company, the Board of Directors considered and approved the connected transaction contemplated between GF Fund (a non-wholly-owned subsidiary of the Company) and Kangmei Healthcare (the “Transaction”). GF Fund proposed to acquire two parcels of land situated at Pazhou, Haizhu District, Guangzhou and the buildings on ground and underground and the construction in progress on the aforesaid two parcels of land, held by Kangmei Healthcare (the “Transaction Target”) at a consideration of no more than RMB1.13 billion.

Pursuant to the Hong Kong Listing Rules, GF Fund is an important subsidiary of the Company. Ms. Xu Dongjin, a former director of GF Fund, resigned as a director of GF Fund on October 25, 2019. Pursuant to Rule 14A.07 of the Hong Kong Listing Rules, Ms. Xu Dongjin was a connected person of the Company when the Transaction took place. Kangmei Healthcare is a wholly-owned subsidiary of Kangmei Pharmaceutical, the de facto controller of which is Mr. Ma Xingtian, the spouse of Ms. Xu Dongjin. As such, Kangmei Healthcare was an associate of Ms. Xu Dongjin and a connected person of the Company at subsidiary level. Therefore, the Transaction constituted a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

At the Board meeting where the Transaction was considered, relevant personnel present at the meeting explained the Transaction and the pricing of the transaction. Based on (1) the documents of resolutions; (2) the explanation made by the relevant personnel at the meeting; and (3) the pricing mechanism of the Transaction – it remained necessary for GF Fund to engage an intermediary to issue a relevant report. The final transaction price would be based on and adjusted with reference to the report value, and the transaction price would not exceed RMB1.13 billion. 10 out of 11 directors (including 3 out of 4 independent non-executive directors) of the Board of Directors of the Company voted in favour of the resolution in respect of the Transaction as the terms of the Transaction were negotiated between the parties on an arm's length basis and entered into on normal commercial terms, which were fair and reasonable and in the interests of the Company and its shareholders as a whole. Besides, the 3 independent non-executive directors, namely Mr. Yang Xiong, Mr. Chan Kalok and Mr. Fan Lifu, who voted in favour of the resolution of the Transaction, also expressed independent opinion according to the requirements of the relevant system, stating that:

- (1) the connected transaction was a practicable plan as compared to other options to meet the need of centralizing its office premises in the long term. GF Fund could obtain the naming right, thus improving its reputation and influence in the society and enhancing the sense of belonging among its employees. The subject land parcel is located at CBD of Guangzhou that provides better opportunities of value preservation and appreciation.
- (2) the structure of the connected transaction was rational and fairly priced with no impact on the operating independence of the Company.
- (3) the review and decision-making procedures of the connected transaction were in compliance with requirements under laws, administrative regulations, departmental rules and other normative legal documents.

Accordingly, the then three independent non-executive directors, namely Mr. Yang Xiong, Mr. Chan Kalok and Mr. Fan Lifu, were of the opinion that the connected transaction was in compliance with requirements under external laws and regulations and the internal regulations and policies of the Company, and there was no prejudice to the interests of the Company and other shareholders, in particular non-connected shareholders and minority shareholders.



Notwithstanding the arrangements in relation to the pricing mechanism (the price for the Transaction shall not exceed RMB1.13 billion. The final price shall be adjusted with reference to the report value given by the intermediary, and such report and report value were not available as at the date of the meeting), Mr. Tang Xin, the then independent non-executive director of the Company, was of the opinion that he was unable to make a judgement and form an accurate opinion given the insufficient materials, as the basis for considering the Transaction. Accordingly, Mr. Tang Xin had refrained from voting on the Transaction.

For details, please refer to the relevant announcements of the Company disclosed on the website of CNINFO (www.cninfo.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) on January 22, 2020.

GF Fund has engaged a qualified independent third party intermediary to conduct an appraisal of the Transaction Target mentioned above and such intermediary has issued an appraisal report on March 28, 2022. Based on the valuation of the appraisal report and based on the relevant provisions of the Transaction agreement entered into by GF Fund and Kangmei Healthcare, the final price of the Transaction Target was RMB1.13 billion.

3. Related Transactions in respect of Joint External Investment

As at the end of the Reporting Period, the Company did not have any related transactions in respect of joint external investment.

On December 18, 2020, the related/connected transaction in relation to joint investment of GF Xinde (a wholly-owned subsidiary of the Company), GF Qianhe and Jilin Aodong, was considered and approved at the tenth meeting of the tenth session of the Board of the Company. GF Xinde (as the manager) established Guangzhou GF Xinde Health Venture Capital Fund Partnership (Limited Partnership) (廣州廣發信德健康創業投資基金合夥企業(有限合夥)) in the form of limited partnership. The total capital contribution amount of the fund was RMB500 million, of which the capital contribution by GF Xinde, GF Qianhe and Jilin Aodong was RMB100 million, RMB150 million and RMB50 million, respectively.

As Jilin Aodong holds 10% or more shares of the Company, Jilin Aodong is a related/connected party of the Company pursuant to the SZSE Listing Rules and the Hong Kong Listing Rules. The establishment of the fund by Jilin Aodong, GF Xinde and GF Qianhe through joint investment constituted a related/connected transaction.

Guangzhou GF Xinde Health Venture Capital Fund Partnership (Limited Partnership) was filed with Asset Management Association of China in January 2021.

4. Amount due to or from Related Parties

Amount due to or from Related Parties under the SZSE Listing Rules

Unit: RMB

Item Name	Related Party	Amount as of the end of the period	Amount as of the beginning of the period
Seats commission, trailing commission and custodian fee receivables	E Fund Management Co., Ltd.	37,017,657.24	25,817,290.30
Seats commission and trailing commission receivables	Harvest Fund Management Co., Ltd.	–	8,957,403.99
Seats commission receivables	Hang Seng Qianhai Fund Management Company Limited	–	48,841.11

During the Reporting Period, the amounts due to or from related parties mentioned above facilitated the Company to expand its operations in the ordinary course of business and increase profit opportunities, and were implemented at fair prices and would not harm the interests of the Company and its small and medium shareholders.

During the Reporting Period, the Company did not have any non-operational amount due to or from related parties.

5. Transactions with Related Financial Companies

N/A

6. Transactions between Financial Companies Controlled by the Company and Related Parties

N/A

7. Other Material Related-Party Transactions

No other material related transactions occurred during the Reporting Period.



XIII. MAJOR CONTRACTS AND THEIR PERFORMANCE

1. Custody, Contracting and Leases

(1) *Custody*

There was no occurrence of any major custody event in the Company during the Reporting Period.

(2) *Contracting*

From May 2013, the Company and Guangzhou Construction Co., Ltd. successively entered into the General Construction Contract for the GF Securities Tower Project and the relevant supplementary agreements. Guangzhou Construction Co., Ltd. is the main contractor for the construction of the GF Securities Tower project. The tentative contract price was RMB1.062 billion. In December 2018, GF Securities Tower passed the acceptance inspection. In March 2019, the principal business address of the Company's headquarters was changed to GF Securities Tower, No. 26 Machang Road, Tianhe District, Guangzhou, Guangdong Province. At present, the project settlement of the general construction contract and related subcontracts is being reviewed, and confirmed in batches.

(3) *Leases*

During the Reporting Period, the Company had no leasing project with profit or loss representing more than 10% of the Company's total profit for the Reporting Period.

SIGNIFICANT EVENTS

2. Material Guarantees

During the Reporting Period, the Company had no material guarantees. The guarantees of the Company and its subsidiaries are as follows:

Unit: RMB' 0,000

External Guarantees Provided by the Company and Its Subsidiaries (Excluding Guarantees Provided to Subsidiaries)										
Name of the Guaranteed Party	Date of Disclosure of Guarantee	Amount on the Relevant Announcement	Actual Date of Occurrence	Actual Amount of Guarantee	Type of Guarantee	Collaterals (if any)	Counter-guarantee (if any)	Term of Guarantee	Performance Fulfilled or Not	Guarantee Provided to Related Parties or Not
Nil	-	-	-	-	-	-	-	-	-	-
Total amount of external guarantees approved during the Reporting Period (A1)				0	Total actual amount of external guarantees provided during the Reporting Period (A2)					0
Total amount of external guarantees approved as at the end of the Reporting Period (A3)				0	Total actual balance of external guarantees as at the end of the Reporting Period (A4)					0
Guarantees Provided to Subsidiaries by the Company										
Name of the Guaranteed Party	Date of Disclosure of Guarantee	Amount of Guarantee	Actual Date of Occurrence	Actual Amount of Guarantee	Type of Guarantee	Collaterals	Counter-guarantee	Term of Guarantee	Performance Fulfilled or Not	Guarantee Provided to Related Parties or Not
GF Financial Markets (UK) Limited (the Company undertook guarantee liabilities to the extent of the amount of the letter of guarantee ultimately and actually signed)	April 30, 2019	A balance of not more than US\$70 million	September 4, 2019	US\$4,000	Joint and several guarantee	-	-	Until September 3, 2021	Yes	No
			January 29, 2020	US\$3,000	Joint and several guarantee	-	-	Until September 16, 2021	Yes	No
	March 30, 2021	A cumulative balance of not more than US\$140 million	September 13, 2021	US\$7,000	Joint and several guarantee	-	-	Until September 1, 2025	No	No
Total amount of guarantees provided to subsidiaries approved during the Reporting Period (B1)			RMB89,259.80	Total actual amount of guarantees provided to subsidiaries during the Reporting Period (B2)					RMB44,629.90	
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (B3)			RMB89,259.80	Total actual balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B4)					RMB44,629.90	



SIGNIFICANT EVENTS

Name of the Guaranteed Party	Date of Disclosure of Guarantee Amount on the Relevant Announcement	Guarantees among to Subsidiaries							Performance Fulfilled or Not	Guarantee Provided to Related Parties or Not
		Amount of Guarantee	Actual Date of Occurrence	Actual Amount of Guarantee	Type of Guarantee	Collaterals	Counter-guarantee	Term of Guarantee		
GF Securities (Hong Kong) (GFHK provided guarantee to it)	2013-12-19	HK\$50 million and relevant interest and expenses (if any)	December 16, 2013	HK\$5,000	Joint and several guarantee	-	-	Until April 15, 2021	Yes	No
GF Global Capital Limited (GF Holdings (Hong Kong) Corporation Limited provided guarantee to it)	2021-02-06	Provide performance guarantee to the guaranteed party in respect of the issue of structured notes with a total size of no more than US\$1 billion (or its equivalent in other currencies), subject to a guarantee amount of no more than US\$1 billion (or its equivalent in other currencies)	March 22, 2021	\$626,118.67	Joint and several guarantee	-	-	According to provisions of agreement	No	No
Total amount of guarantees provided to subsidiaries approved during the Reporting Period (C1)			RMB637,570	Total actual amount of guarantees provided to subsidiaries during the Reporting Period (C2)						RMB630,206.67
Total amount of guarantees provided to subsidiaries approved as at the end of the Reporting Period (C3)			RMB637,570	Total actual balance of guarantee provided to subsidiaries as at the end of the Reporting Period (C4)						RMB392,869.35

SIGNIFICANT EVENTS

Total Amount of Guarantees Provided by the Company (i.e. the total of the first three major items)

Total amount of guarantees approved during the Reporting Period (A1+B1+C1)	RMB726,829.80	Total actual amount of guarantees provided during the Reporting Period (A2+B2+C2)	RMB674,836.57
Total amount of guarantees approved as at the end of the Reporting Period (A3+B3+C3)	RMB726,829.80	Total actual balance of guarantees provided as at the end of the Reporting Period (A4+B4+C4)	RMB437,499.25
Total actual amount of guarantees (i.e. A4+B4+C4) as a percentage of the net assets of the Company			4.10%
Including:			
Balance of guarantees provided to shareholders, de facto controller and their related parties (D)			0
Balance of debt guarantees provided directly or indirectly to the guaranteed parties with a gearing ratio over 70% (E)			RMB392,869.35
Amount of total guarantees above 50% of net assets (F)			0
Total of the above 3 amounts of guarantees (D+E+F)			RMB392,869.35
For outstanding guarantees, description on the guarantee liabilities occurred or possible joint and several liabilities of repayment demonstrated during the Reporting Period (if any)			Nil
Description on the provision of external guarantee with non-compliance in required procedures (if any)			Nil
Other descriptions		In February 2018, the board of directors of GFHK resolved that it agreed to provide guarantees to its wholly-owned subsidiary, GF Global Capital Limited, under the agreements such as ISDA and GMRA. As of December 31, 2021, the amount of such guarantee was approximately US\$1.5680 million.	

Note 1: Calculated by the central parity exchange rates of Hong Kong dollar to Renminbi at 1:0.81760 and US dollar to Renminbi at 1:6.3757 and New Zealand dollar to Renminbi at 1:4.3553 published by the People's Bank of China on December 31, 2021.

Note 2: "Balance of debt guarantees provided directly or indirectly to the guaranteed parties with gearing ratio over 70% (E)" in the table above is filled based on the balance of guarantee when the gearing ratio of the guaranteed party exceeds 70% at the time of consideration of related proposals by the authorized organizations of the Company and subsidiaries.



3. Cash asset management conducted by other entrusted parties

(1) Entrusted wealth management

The Company was not engaged in entrusted wealth management during the Reporting Period.

(2) Entrusted loans

Summary of entrusted loans during the Reporting Period

Unit: RMB' 0,000

Total amount of entrusted loans	Source of funds of entrusted loans	Outstanding balance	Unrecovered overdue amount
1,800.00	Self-owned funds	—	1,518.72

Specific particulars of entrusted loans

Unit: RMB' 0,000

Borrower	Type of borrower	Loan interest rate	Loan amount	Source of funds	Start date	End date	Expected income	Actual profit/loss amount in the Reporting Period	Actual profit/loss recovered in the Reporting Period	Impairment provision	Through legal process or not	Any future plans of entrusted loans
Pingdingshan Shunyi Farming Co., Ltd.	Agricultural, forestry, farming and fishery industries	8.00%	1,800.00	Self-owned funds	2017/10/13	2021/4/13	—	81.10	—	1,317.71	Yes	No for the time being
Total			1,800.00	—	—	—	—	81.10	—	1,317.71	—	—

Note: The amount of impairment provision in the above table was the balance of impairment provision for entrusted loans as at the end of the Reporting Period.

Circumstances where expected non-recovery of principal amount or other possible causes of impairment in entrusted loans may arise

Entrusted loans were overdue, and impairment provision was made accordingly.

4. Other major contracts

During the Reporting Period, the Company had no other major contracts.

XIV. PARTICULARS OF OTHER SIGNIFICANT ISSUES

Administrative license decisions made by regulatory authorities during the Reporting Period are as follows:

No.	Regulatory Authority	Administrative License Decision
1	CSRC	Reply on Approving the Registration for the Public Issuance of Corporate Bonds by GF Securities Co., Ltd. to Professional Investors (Zheng Jian Xu Ke [2021] No. 1653)
2	Guangdong Administration for Market Regulation	Notice of Approval of Registration Change (Yue He Bian Tong Nei Zi [2021] No. 44000012100000972)

XV. SIGNIFICANT MATTERS FOR THE SUBSIDIARIES OF THE COMPANY

- In February 2021, GFHK, a wholly-owned subsidiary of the Company, passed a resolution at the general meeting, pursuant to which it agreed to provide performance guarantee to its wholly-owned subsidiary, GF Global Capital, in respect of the issue of structured notes with a total size of no more than US\$1 billion (or its equivalent in other currencies) to ensure the performance of the notes contract by GF Global Capital in accordance with the terms of the notes, subject to a guarantee amount of no more than US\$1 billion (or its equivalent in other currencies). For details, please refer to the relevant announcements of the Company disclosed on the website of CNINFO (www.cninfo.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) on February 6, 2021. For details of provision of guarantees, please refer to “2. Material Guarantees” in “XIII. Major Contracts and Their Performance” in this section.
- In April 2021, the Company resolved to increase capital of RMB0.5 billion in GF Futures, its wholly-owned subsidiary. In May 2021, the Company has finished the aforesaid capital injection according to the resolution. GF Futures has obtained a new business license, and the registered capital is RMB1.9 billion.

3. In April 2021, the Company resolved to increase capital of RMB0.5 billion in GF Qianhe, its wholly-owned subsidiary. In May 2021, the Company has finished the aforesaid capital injection according to the resolution. GF Qianhe has obtained a new business license, and the registered capital is RMB4.1035 billion.
4. In June 2021, GF Xinde, a wholly-owned subsidiary of the Company, completed the change of its registered address and obtained the updated business license. The registered address of GF Xinde is Room B607, Building 1, No. 275 Xintuo Road, Daxie Development Zone, Ningbo, Zhejiang.
5. In August 2021, the Board of Directors of the Company resolved to increase the capital of RMB3 billion in GF Qianhe, its wholly-owned subsidiary. As of February 2022, the Company has completed the aforesaid capital injection in multiple instalments according to the resolution, and GF Qianhe has obtained a new business license, and the registered capital is RMB7.1035 billion. For details, please refer to the relevant announcements published by the Company on the website of CNINFO (www.cninfo.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) on August 28, 2021, September 10, 2021 and February 16, 2022 respectively.
6. In February 2022, GF Fund, a holding subsidiary of the Company, completed the change of its registered address and obtained the updated business license. The registered address of GF Fund is Room 2608, 3018 Huandao East Road, Hengqin New District, Zhuhai, Guangdong Province.

XVI. CHANGES OF QUALIFICATIONS FOR INDIVIDUAL BUSINESSES DURING THE REPORTING PERIOD

For details, please refer to “V. Qualifications of Individual Businesses” of Section 1 in this report.

XVII. INDEX OF INFORMATION DISCLOSURE

During the Reporting Period, the Company published the following information in respect of A Shares (excluding the “Announcements on H Shares”) in China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily and disclosed the same on the website of CNINFO (www.cninfo.com.cn):

No.	Matters of Announcement	Date of Publication
1	Announcement on the Resolutions of the 11th Meeting of the 10th Session of the Board of Directors	January 1, 2021
2	Announcement on Reminder Notice of the 2021 First Extraordinary General Meeting	January 5, 2021
3	Announcement on the Resolutions of the 2021 First Extraordinary General Meeting	January 7, 2021
4	Announcement on the Resolutions of the 12th Meeting of the 10th Session of the Board of Directors	January 7, 2021
5	Announcement on the Result of Non-public Issuance of Corporate Bonds	January 15, 2021
6	Announcement on the Result of Non-public Issuance of Corporate Bonds	January 28, 2021
7	Preliminary Financial Figures for the Year 2020	February 1, 2021
8	Announcement on the Guarantee Provided by GF Holdings (Hong Kong) Corporation Limited for GF Global Capital Limited, its Wholly-owned Subsidiary, in Respect of the Issue of Structured Notes	February 6, 2021
9	Announcement on the Results of the Issuance of the 2021 First Tranche of Short-term Financing Bills (Bond Connect) of the Company	February 9, 2021
10	Announcement of GF Securities Co., Ltd. on the Interest Payment in 2021 for the Public Issuance of Corporate Bonds (First Tranche) to Qualified Investors in 2019	February 23, 2021
11	Announcement in Relation to 2020 Annual Results Presentation	March 27, 2021
12	Announcement of Resolutions of the Board of Directors	March 30, 2021
13	Announcement of Resolutions of the Supervisory Committee	March 30, 2021
14	Highlights of the 2020 Annual Report	March 30, 2021
15	Announcement on the Proposed Re-appointment of Accounting Firm	March 30, 2021
16	Announcement on the Estimates of Daily Related (Connected) Transactions of the Company for 2021	March 30, 2021



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No.	Matters of Announcement	Date of Publication
17	Announcement on Providing Guarantees for Foreign Loans for GF Financial Markets (UK) Limited	March 30, 2021
18	Notice of the 2020 Annual General Meeting	April 15, 2021
19	Announcement on the Interest Payment in 2021 for Redemption and Delisting of the Corporate Bonds (First Tranche) Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2018	April 22, 2021
20	Announcement on Resolutions of the Board of Directors in the First Quarter of 2021	April 29, 2021
21	2021 First Quarterly Report	April 29, 2021
22	Announcement on Resolutions of the Supervisory Committee in the First Quarter of 2021	April 29, 2021
23	Announcement on Reminder Notice of the 2020 Annual General Meeting	May 11, 2021
24	Announcement on the Resolutions of the 2020 Annual General Meeting	May 14, 2021
25	Announcement on the Registration Approval of Public Issuance of Corporate Bonds to Professional Investors by China Securities Regulatory Commission	May 25, 2021
26	Announcement on the Public Issuance of Corporate Bonds (First Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	June 3, 2021
27	Announcement on the Public Issuance of Corporate Bonds (First Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021 (Updated)	June 3, 2021
28	Announcement on Extension of Book-building Period for the Public Issuance of Corporate Bonds (First Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	June 4, 2021
29	Announcement on the Coupon Rate for the Public Issuance of Corporate Bonds (First Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	June 7, 2021
30	Announcement on the Results of Public Issuance of Corporate Bonds (First Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	June 9, 2021
31	Announcement on the Interest Payment by GF Securities Co., Ltd. for the “13 GF 03” Corporate Bonds in 2021	June 10, 2021
32	Announcement on the Results of Issuance of the Second Tranche of Short-term Financing Bills (Bond Connect) of the Company in 2021	June 26, 2021

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No.	Matters of Announcement	Date of Publication
33	Announcement on the Implementation of Profit Distribution for A Shares for 2020	June 30, 2021
34	Announcement on the Results of Issuance of the Third Tranche of Short-term Financing Bills (Bond Connect) of the Company in 2021	July 13, 2021
35	Announcement on the Public Issuance of Corporate Bonds (Second Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	July 20, 2021
36	Announcement on Extension of Book-building Period for Public Issuance of Corporate Bonds (Second Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	July 21, 2021
37	Announcement on the Coupon Rate for Public Issuance of Corporate Bonds (Second Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	July 22, 2021
38	Announcement on Resignation of Chairman and Several Senior Executives of the Company	July 23, 2021
39	Announcement on Resolutions of the 15th Meeting of the 10th Session of the Board of Directors	July 23, 2021
40	Announcement on the Results of Public Issuance of Corporate Bonds (Second Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	July 26, 2021
41	Announcement on Completion of the Registration of Industrial and Commercial Changes of Legal Representative	July 27, 2021
42	Announcement on the Public Issuance of Corporate Bonds (Third Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	August 10, 2021
43	Announcement on Extension of Book-building Period for Public Issuance of Corporate Bonds (Third Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	August 11, 2021
44	Announcement on the Coupon Rate for Public Issuance of Corporate Bonds (Third Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	August 12, 2021
45	Announcement on the Results of Public Issuance of Corporate Bonds (Third Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	August 16, 2021
46	Announcement on Interest Payment in 2021 for Redemption and Delisting of Corporate Bonds (Second Tranche) Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2018	August 18, 2021

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No.	Matters of Announcement	Date of Publication
47	Announcement on Resolutions of the Board of Directors in the Interim Report	August 28, 2021
48	Summary of the Interim Report for 2021	August 28, 2021
49	Announcement on Resolutions of the Supervisory Committee in the Interim Report	August 28, 2021
50	Announcement on Capital Increase in GF Qianhe Investment Co., Ltd.	August 28, 2021
51	Announcement on Unusual Fluctuations in the Trading of the A Shares	September 3, 2021
52	Announcement on the Results of Non-public Issuance of Perpetual Subordinated Bonds	September 7, 2021
53	Announcement on Increasing the Registered Capital of GF Qianhe to RMB6.1035 Billion	September 10, 2021
54	Announcement on the Results of Issuance of Short-term Financing Bills (Fourth Tranche) by the Company in 2021	September 10, 2021
55	Announcement on the Public Issuance of Corporate Bonds (Fourth Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	September 13, 2021
56	Announcement on Extension of Book-building Period for Public Issuance of Corporate Bonds (Fourth Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	September 14, 2021
57	Announcement on the Coupon Rate for Public Issuance of Corporate Bonds (Fourth Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	September 15, 2021
58	Announcement on the Results of Public Issuance of Corporate Bonds (Fourth Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	September 17, 2021
59	Announcement on the Interest Payment for Redemption and Delisting of the “20 GF 05” Corporate Bonds Privately Issued	September 18, 2021
60	Announcement on Duty Performance of Compliance Officer	September 24, 2021
61	Announcement on Resolutions of the 17th Meeting of the 10th Session of the Board of Directors	September 24, 2021
62	Announcement on the Results of Issuance of Short-term Financing Bills (Fifth Tranche) by the Company in 2021	September 28, 2021
63	Announcement on the Public Issuance of Corporate Bonds (Fifth Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	October 12, 2021

SIGNIFICANT EVENTS

No.	Matters of Announcement	Date of Publication
64	Announcement on Extension of Book-building Period for Public Issuance of Corporate Bonds (Fifth Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	October 13, 2021
65	Announcement on the Coupon Rate for Public Issuance of Corporate Bonds (Fifth Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	October 14, 2021
66	Announcement on the Results of Public Issuance of Corporate Bonds (Fifth Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	October 18, 2021
67	Announcement on Closing Chaoyang Street Securities Business Department in Liaoyang	October 21, 2021
68	Announcement on the Results of Issuance of Short-term Financing Bills (Sixth Tranche) by the Company in 2021	October 23, 2021
69	Announcement on the Public Issuance of Corporate Bonds (Sixth Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	October 26, 2021
70	Announcement on the Results of Issuance of Short-term Financing Bills (Seventh Tranche) by the Company in 2021	October 27, 2021
71	Announcement on Extension of Book-building Period for Public Issuance of Corporate Bonds (Sixth Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	October 27, 2021
72	Announcement on the Interest Payment for Redemption and Delisting of the "20 GF 06" Corporate Bonds Privately Issued by GF Securities Co., Ltd.	October 28, 2021
73	Announcement on the Coupon Rate for Public Issuance of Corporate Bonds (Sixth Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	October 28, 2021
74	Announcement on Resolutions of the Board of Directors	October 29, 2021
75	2021 Third Quarterly Report	October 29, 2021
76	Announcement on Resolutions of the Supervisory Committee	October 29, 2021
77	Announcement on the Results of Public Issuance of Corporate Bonds (Sixth Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	November 1, 2021
78	Announcement on the Results of Issuance of Short-term Financing Bills (Eighth Tranche) by the Company in 2021	November 3, 2021
79	Announcement on New Borrowings Accumulated in the Year Exceeding 20% of Net Assets at the End of the Previous Year	November 5, 2021



SIGNIFICANT EVENTS

No.	Matters of Announcement	Date of Publication
80	Announcement on the Interest Payment for Redemption and Delisting of the “20 GF 07” Corporate Bonds Privately Issued	November 10, 2021
81	Announcement on the Interest Payment for Redemption and Delisting of the “18 GF C1” Corporate Bonds Privately Issued	November 10, 2021
82	Announcement on the Results of Issuance of Short-term Financing Bills (Ninth Tranche) by the Company in 2021	November 10, 2021
83	Announcement on the Public Issuance of Corporate Bonds (Seventh Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	November 12, 2021
84	Announcement on Extension of Book-building Period for Public Issuance of Corporate Bonds (Seventh Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	November 15, 2021
85	Announcement on the Coupon Rate for Public Issuance of Corporate Bonds (Seventh Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	November 16, 2021
86	Announcement on the Results of Public Issuance of Corporate Bonds (Seventh Tranche) by GF Securities Co., Ltd. to Professional Investors in 2021	November 18, 2021
87	Announcement on the Results of Non-public Issuance of Corporate Bonds	November 24, 2021
88	Announcement on the Interest Payment for Redemption and Delisting of the “20 GF 09” Corporate Bonds Privately Issued	November 25, 2021
89	Announcement on the Results of Non-public Issuance of Corporate Bonds	December 2, 2021
90	Announcement on New Borrowings Accumulated in the Year Exceeding 40% of Net Assets at the End of the Previous Year	December 7, 2021
91	Announcement on the Interest Payment for Redemption and Delisting of the “20 GF 12” Corporate Bonds Privately Issued	December 16, 2021
92	Announcement on Resolutions of the 19th Meeting of the 10th Session of the Board of Directors	December 24, 2021
93	Announcement on Resignation of Chairman of the Supervisory Committee	December 28, 2021

SIGNIFICANT EVENTS

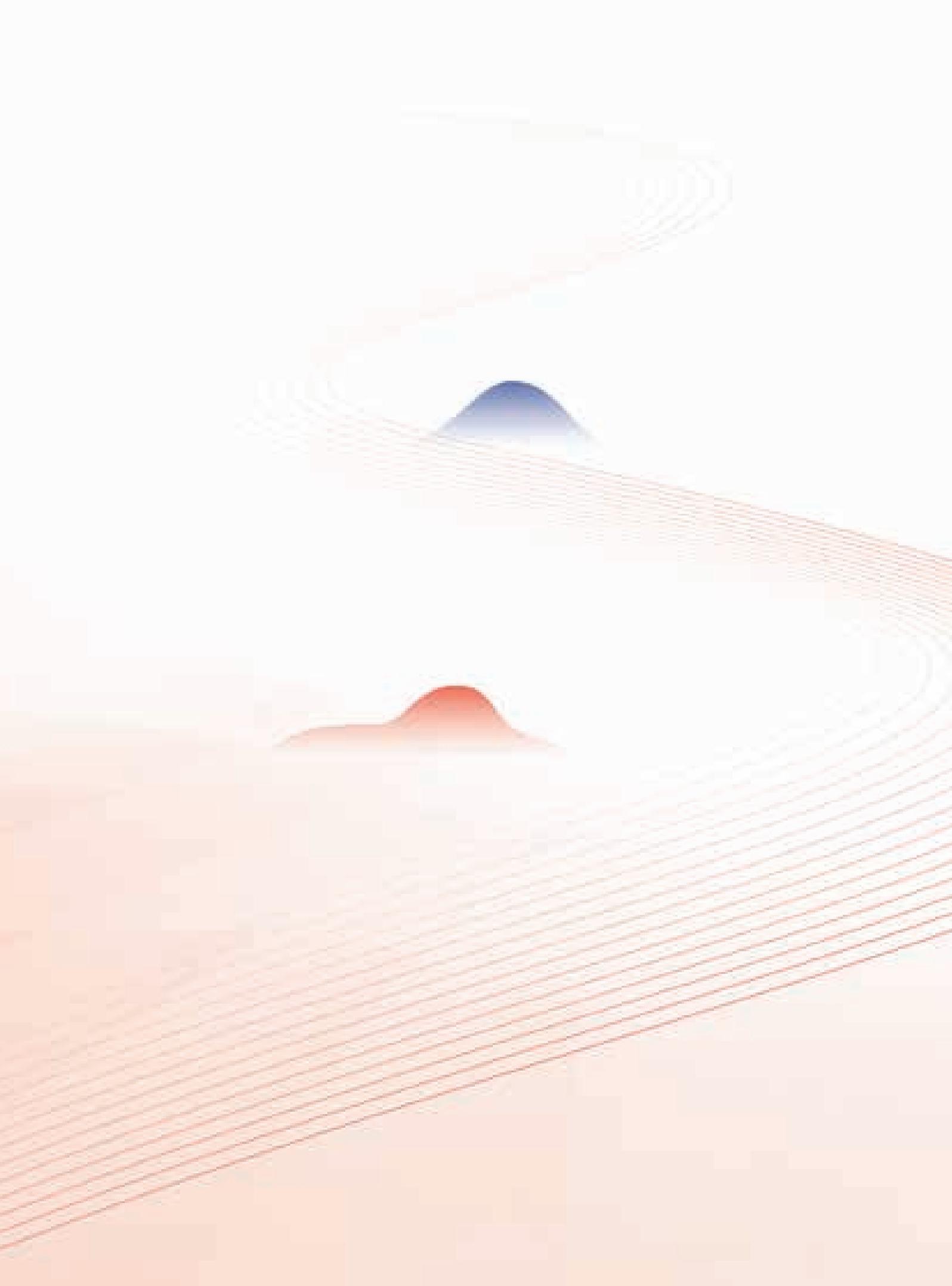
During the Reporting Period, the Company disclosed the following information on H Shares (excluding “Overseas Regulatory Announcements”) on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk):

No.	Matters of Announcement	Date of Publication
1	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended December 31, 2020	January 4, 2021
2	List of Directors and Their Roles and Functions	January 6, 2021
3	Announcement on Poll Results of the 2021 First Extraordinary General Meeting	January 6, 2021
4	Preliminary Financial Figures for the Year 2020	January 31, 2021
5	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended January 31, 2021	February 1, 2021
6	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended February 28, 2021	March 1, 2021
7	Date of Board Meeting	March 12, 2021
8	Announcement in Relation to 2020 Annual Results Presentation	March 26, 2021
9	2020 Annual Results Announcement	March 29, 2021
10	2020 Corporate Social Responsibility Report	March 29, 2021
11	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended March 31, 2021	April 1, 2021
12	Date of Board Meeting	April 14, 2021
13	Notification Letter and Request Form to Non-Registered Shareholders	April 14, 2021
14	Notification Letter and Request Form to Registered Shareholders	April 14, 2021
15	Proxy Form for the 2020 Annual General Meeting	April 14, 2021
16	Notice of Annual General Meeting: (1) 2020 Directors’ Report; (2) 2020 Supervisory Committee’s Report; (3) 2020 Final Financial Report; (4) 2020 Annual Report; (5) 2020 Profit Distribution Plan; (6) Resolution Regarding Engaging Auditors in 2021; (7) Resolution Regarding the Authorization of Proprietary Investment Quota for 2021; (8) Resolution Regarding the 2021 Expected Daily Related Party/Connected Transactions; and (9) Notice of AGM	April 14, 2021
17	2020 Annual Report	April 14, 2021
18	2021 First Quarterly Report	April 28 2021
19	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended April 30, 2021	May 6, 2021

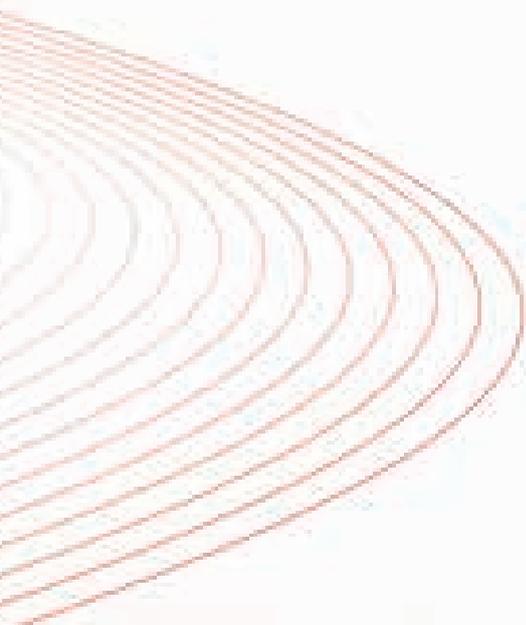


SIGNIFICANT EVENTS

No.	Matters of Announcement	Date of Publication
20	Poll Results of the 2020 Annual General Meeting and Final Dividend for the Year Ended December 31, 2020	May 13, 2021
21	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended May 31, 2021	June 1, 2021
22	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended June 30, 2021	July 2, 2021
23	List of Directors and their Roles and Functions	July 22, 2021
24	Announcement – Resignation of Chairman and Executive Director; Appointment of Chairman; and Change of Authorized Representative	July 22, 2021
25	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended July 31, 2021	August 3, 2021
26	Date of Board Meeting	August 12, 2021
27	Change of Joint Company Secretary, Authorized Representative and Process Agent	August 27, 2021
28	Interim Results Announcement for the Six Months Ended June 30, 2021	August 27, 2021
29	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended August 31, 2021	September 1, 2021
30	Notification Letter and Request Form to Non-registered Shareholders	September 16, 2021
31	Notification Letter and Change Request Form to Registered Holders	September 16, 2021
32	2021 Interim Report	September 16, 2021
33	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended September 30, 2021	October 7, 2021
34	Date of Board Meeting	October 13, 2021
35	2021 Third Quarterly Report	October 28, 2021
36	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended October 31, 2021	November 1, 2021
37	Monthly Return of Equity Issuer on Movements in Securities for the Month Ended November 30, 2021	December 1, 2021
38	Documents on Display – 2020 Annual Corporate Report	December 24, 2021
39	Announcement – Resignation of Chairman of the Supervisory Committee	December 27, 2021



SECTION 9
CHANGES IN
SHAREHOLDINGS
AND PARTICULARS
ABOUT
SHAREHOLDERS



I. CHANGES IN SHAREHOLDINGS

1. Changes in shareholdings

During the Reporting Period, there were no changes in the total number of ordinary shares and the shareholding structure of the Company.

Set out below is the share capital of the Company:

	Number of shares	Percentage
		Unit: Share
I. Shares with selling restrictions	0	0
II. Shares without selling restrictions	7,621,087,664	100.00%
1. RMB-denominated ordinary shares	5,919,291,464	77.67%
2. Domestic listed foreign shares	0	0
3. Listed foreign shares	1,701,796,200	22.33%
4. Others	0	0
III. Total number of shares	7,621,087,664	100.00%

2. Changes in shares with selling restrictions

N/A

II. SECURITIES ISSUANCE AND THE LISTING

1. Issuance of securities (exclusive of preference shares) during the Reporting Period

For details about the issuance of corporate bonds, subordinated bonds, short-term corporate bonds, short-term financing bills, please refer to “Section 11 Bonds” of this report.

2. Total number of shares of the Company and changes in the shareholding structure and the assets and liabilities structure of the Company

Total number of shares of the Company and changes in the shareholding structure: N/A.

As at the end of 2020, the Group’s gearing ratio was 71.15%. As at the end of 2021, the Group’s gearing ratio was 72.92%.

3. Existing employees’ shares

N/A



III. SHAREHOLDERS AND DE FACTO CONTROLLERS

1. Number of shareholders and their shareholdings in the Company

Unit: Share

Total number of ordinary shareholders at the end of the Reporting Period	165,117 (of which, 163,589 were A shareholders, 1,528 were registered H shareholders)	Total number of ordinary shareholders as at the end of the last month before the date of the disclosure of the annual report	206,838 (of which, 205,316 were A shareholders, 1,522 were registered H shareholders)	Total number of preferred shareholders whose voting rights were resumed at the end of the Reporting Period	Nil	Total number of preferred shareholders whose voting rights were resumed as at the end of the last month before the date of the disclosure of the annual report	Nil
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Shareholdings of shareholders who hold more than 5% of the shares or shareholdings of the top ten shareholders

Name of shareholder	Capacity of shareholder	Percentage of shareholding	Number of shares held as at the end of the Reporting Period	Increase or decrease during the Reporting Period	Number of shares with restrictions held	Number of shares without restrictions held	Pledged, marked or frozen	
							Status of shares	Number of shares
HKSCC Nominees Limited	Overseas legal entity	22.31%	1,700,153,660	121,400	0	1,700,153,660	-	-
Jilin Aodong Pharmaceutical Group Co., Ltd.	Domestic general legal entity	16.43%	1,252,297,867	0	0	1,252,297,867	-	-
Liaoning Cheng Da Co., Ltd.	State-owned legal entity	16.40%	1,250,154,088	12,337,000	0	1,250,154,088	-	-
Zhongshan Public Utilities Group Co., Ltd.	State-owned legal entity	9.01%	686,754,216	0	0	686,754,216	-	-
China Securities Finance Corporation Limited	Domestic general legal entity	2.99%	227,870,638	0	0	227,870,638	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	1.08%	82,376,329	13,883,638	0	82,376,329	-	-
China Construction Bank Corporation-Guotai CSI All Share Investment Banking & Brokerage Index Exchange-traded Fund	Fund, wealth management products, etc.	0.68%	51,767,413	-11,364,841	0	51,767,413	-	-
National Social Security Fund No. 112 Portfolio	Fund, wealth management products, etc.	0.55%	41,886,491	-	0	41,886,491	-	-
China Construction Bank Corporation-Huabao CSI All Share Investment Banking & Brokerage Index Exchange-traded Fund	Fund, wealth management products, etc.	0.43%	33,147,660	1,481,673	0	33,147,660	-	-
National Social Security Fund No. 111 Portfolio	Fund, wealth management products, etc.	0.41%	30,978,118	-	0	30,978,118	-	-

CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

Shareholdings of the top ten shareholders without selling restrictions			
Name of shareholder	Number of shares without selling restrictions held as at the end of the Reporting Period	Type of shares	
		Type of shares	Number of shares
HKSCC Nominees Limited	1,700,153,660	Listed foreign shares	1,700,153,660
Jilin Aodong Pharmaceutical Group Co., Ltd.	1,252,297,867	RMB-denominated ordinary shares	1,252,297,867
Liaoning Cheng Da Co., Ltd.	1,250,154,088	RMB-denominated ordinary shares	1,250,154,088
Zhongshan Public Utilities Group Co., Ltd.	686,754,216	RMB-denominated ordinary shares	686,754,216
China Securities Finance Corporation Limited	227,870,638	RMB-denominated ordinary shares	227,870,638
Hong Kong Securities Clearing Company Limited	82,376,329	RMB-denominated ordinary shares	82,376,329
China Construction Bank Corporation-Guotai CSI All Share Investment Banking & Brokerage Index Exchange-traded Fund	51,767,413	RMB-denominated ordinary shares	51,767,413
National Social Security Fund No. 112 Portfolio	41,886,491	RMB-denominated ordinary shares	41,886,491
China Construction Bank Corporation-Huabao CSI All Share Investment Banking & Brokerage Index Exchange-traded Fund	33,147,660	RMB-denominated ordinary shares	33,147,660
National Social Security Fund No. 111 Portfolio	30,978,118	RMB-denominated ordinary shares	30,978,118

CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS



Note 1: Among H shareholders of the Company, shares of non-registered shareholders are held by HKSCC Nominees Limited;

Note 2: In the table above, shares held by HKSCC Nominees Limited are oversea listed foreign shares (H Shares) and shares held by other shareholders are RMB-denominated ordinary shares (A Shares);

Note 3: According to the information provided by Jilin Aodong Pharmaceutical Group Co., Ltd. (“Jilin Aodong”), Liaoning Cheng Da Co., Ltd. (“Liaoning Cheng Da”) and Zhongshan Public Utilities Group Co., Ltd. (“Zhongshan Public Utilities”), as at December 31, 2021, Jilin Aodong held 87,124,600 H Shares of the Company and held 36,868,800 H Shares of the Company through its wholly-owned subsidiary, namely Aodong International (Hong Kong) Industrials Co., Limited (敖東國際(香港)實業有限公司), a total of 123,993,400 H shares, representing 1.63% of the total share capital of the Company. Liaoning Cheng Da held 115,300,000 H Shares of the Company and held 1,473,600 H Shares of the Company through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司)(a wholly-owned subsidiary of Liaoning Cheng Da), a total of 116,773,600 H shares, representing 1.53% of the total share capital of the Company. Zhongshan Public Utilities held 100,904,000 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Company Ltd. (公用國際(香港)投資有限公司), representing 1.32% of the total share capital of the Company. As at December 31, 2021, the shareholding percentages of A Shares and H Shares in the Company of Jilin Aodong and its concert parties, Liaoning Cheng Da and its concert parties and Zhongshan Public Utilities and its concert parties were 18.06%, 17.94% and 10.34%, respectively;

Note 4: The number of shares held by Liaoning Cheng Da at the end of the Reporting Period increased by 12,337,000 shares compared with the end of December 2020, mainly due to the participation of Liaoning Cheng Da in the margin refinancing and securities refinancing;

Note 5: According to the public information disclosed on the HKExnews website of the Hong Kong Stock Exchange, as at December 31, 2021, other than those as set out in Note 3, shareholders holding 5% or more of the H Shares of the Company are as follows: on January 31, 2020, the labor union committee of GF Securities Co., Ltd. held a total of 272,500,600 long-position H Shares of the Company, representing 16.01% of the H Share capital of the Company. The above shares are held by HKSCC Nominees Limited on their behalf;

Note 6: At the end of the Reporting Period, no shares of the Company were held by A shareholders mentioned above through credit-based securities accounts;

Note 7: At the end of the Reporting Period, no A shareholders mentioned above conducted agreed repurchase type securities trading.

CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

2. Shareholdings of top 5 shareholders who hold more than 10% (including 10%) shares

Name of shareholder	Legal representative	General manager	Date of establishment	Code of organization	Registered capital (RMB)	Principal business
Jilin Aodong	Li Xiulin	Guo Shuqin	March 20, 1993	United social credit code: 91222400243805786K	1,163,041,725	Planting and breeding, importing of raw and auxiliary materials, mechanical equipment, instruments, spare parts (except the 12 imported items which are operated by the specified companies approved by the State) required for business (except for special projects controlled by the State and franchise), machinery repair, warehousing, the production and scientific research by this enterprise; pharmaceutical industry, pharmaceutical business, pharmaceutical research and development; vehicle rental service; self-owned real estate operating activities. (Projects requiring statutory approvals shall be operated only after receiving approval from relevant administrative authorities)
Liaoning Cheng Da	Shang Shuzhi	Ge Yu	September 2, 1993	United social credit code: 91210000117590366A	1,529,709,816	Import and export business of goods and technology for its own use or as an agency service (except for those restricted by the State, and operation related to restricted items may only commence after obtaining approval), managing throughput processing and the operation of "Three in, one added business", conducting counter trade and entrepot trading, contracting overseas projects and international bidding projects home and abroad of this industry, exporting of equipment and materials required for the above overseas projects; dispatching abroad of laborers in engineering, manufacturing and service sectors of the industry, acquisition of agricultural and sideline products (except food), chain management of fertilizer, planting of herbs, rental, warehousing services. Coal wholesale business. (Projects requiring statutory approvals shall be operated only after receiving approval from relevant administrative authorities)
Zhongshan Public Utilities	Guo Jingyi	Huang Zhuwen	December 26, 1992	United social credit code: 914420001935372689	1,475,111,351	Investment and management of public utilities, operation and management of markets, investments and investment planning, consultancy and management, etc. (Projects requiring statutory approvals shall be operated only after receiving approval from relevant administrative authorities)



3. Substantial Shareholders' and Other Persons' interests and Short Positions in Shares and Underlying Shares

As of December 31, 2021, as far as the Directors of the Company are aware after having made all reasonable enquiries, the following persons (other than the Directors, Supervisors and chief executive of the Company) held interests or short positions in the shares or underlying shares which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company under section 336 of the SFO:

No.	Name of substantial shareholders	Class of shares	Nature of interests	Number of shares held (share)	Long position (Note 1)/ short position (Note 2)	Percentage of	Percentage of
						total issued shares of the Company (%) (Note 8)	total issued A Shares/ H Shares of the Company (%) (Note 8)
1	Jilin Aodong	A Shares	Beneficial owner	1,252,297,867	Long position	16.43	21.16
		H Shares	Beneficial owner and interest in a controlled corporation	123,993,400 (Note 3)	Long position	1.63	7.29
2	Liaoning Cheng Da	A Shares	Beneficial owner	1,250,154,088	Long position	16.40	21.12
		H Shares	Beneficial owner and interest in a controlled corporation	116,773,600 (Note 4)	Long position	1.53	6.86
3	Zhongshan Zhonghui Investment Group Company Limited	A Shares	Interest in a controlled corporation	686,754,216	Long position	9.01	11.60
		H Shares	Interest in a controlled corporation	100,904,000 (Note 5)	Long position	1.32	5.93
4	Zhongshan Public Utilities	A Shares	Beneficial owner	686,754,216	Long position	9.01	11.60
		H Shares	Interest in a controlled corporation	100,904,000 (Note 5)	Long position	1.32	5.93
5	Public Utilities International (Hong Kong) Investment Company Ltd.	H Shares	Beneficial owner	100,904,000 (Note 5)	Long position	1.32	5.93
6	The labor union committee of GF Securities Co., Ltd.	H Shares	Trustee of a trust	272,500,600 (Note 6)	Long position	3.58	16.01

CHANGES IN SHAREHOLDINGS AND PARTICULARS ABOUT SHAREHOLDERS

Note 1: A shareholder has a “long position” if such shareholder has an interest in shares, including interests through holding, writing or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to take the underlying shares; (ii) such shareholder is under an obligation to take the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares increases; or (iv) such shareholder has a right to avoid or reduce a loss if the price of the underlying shares increases.

Note 2: A shareholder has a “short position” if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, writes or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to take the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce a loss if the price of the underlying shares declines.

Note 3: Jilin Aodong held 87,124,600 H Shares of the Company and held 36,868,800 H Shares of the Company through its wholly-owned subsidiary, Aodong International (Hong Kong) Industrials Co., Limited (敖東國際(香港)實業有限公司), a total of 123,993,400 H Shares, representing 1.63% of the total share capital of the Company.

Note 4: Liaoning Cheng Da held 115,300,000 H Shares of the Company and held 1,473,600 H Shares of the Company through Chengda Steel Hongkong Co., Limited (成大鋼鐵香港有限公司), which is a wholly-owned subsidiary of Liaoning Chengda Steel Co., Ltd. (遼寧成大鋼鐵貿易有限公司)(a wholly-owned subsidiary of Liaoning Cheng Da), a total of 116,773,600 H Shares, representing 1.53% of the total share capital of the Company. Therefore, Liaoning Cheng Da and Liaoning Chengda Steel Co., Ltd. were deemed to have interests in the shares held by Chengda Steel Hongkong Co., Limited.

Note 5: Zhongshan Public Utilities held 100,904,000 H Shares of the Company through its wholly-owned subsidiary, Public Utilities International (Hong Kong) Investment Company Ltd. (公用國際(香港)投資有限公司), representing 1.32% of the total share capital of the Company. Zhongshan Zhonghui Investment Group Company Limited held 47.98% of the issued shares of Zhongshan Public Utilities. Therefore, Zhongshan Zhonghui Investment Group Company Limited and Zhongshan Public Utilities were deemed to have interests in the shares held by Public Utilities International (Hong Kong) Investment Company Ltd..

Note 6: The labor union committee of GF Securities Co., Ltd. held a total of 272,500,600 H Shares of the Company, representing 16.01% of the H Share capital of the Company.

Note 7: Under Part XV of the SFO, forms for disclosure of interests shall be submitted by shareholders of the Company upon satisfaction of certain conditions. Changes of Shareholders' shareholdings in the Company are not required to inform the Company and the Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be differences between substantial Shareholders' latest shareholdings in the Company and the shareholding information as reported to the Hong Kong Stock Exchange.

Note 8: The relevant percentages are calculated based on 1,701,796,200 H Shares and/or 5,919,291,464 A Shares of the Company in issue as at December 31, 2021.

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

4. Controlling Shareholders of the Company

There was no controlling shareholder in the Company.



5. De facto Controllers and their Concert Parties of the Company

There was no de facto controller in the Company.

6. The Company's controlling shareholder or the largest shareholder and its concert parties whose cumulative pledged shares account for 80% of the Company's shares held by them

N/A

7. Legal entity shareholders who hold more than 10% of the shares of the Company

N/A

8. Restrictions to Reduction in Shareholdings for Controlling Shareholders, De facto Controllers, Re-organization Parties and Other Commitment Bodies

N/A

9. Directors, Supervisors and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at December 31, 2021, none of the Directors, Supervisors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would be required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company; or which would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

As at December 31, 2021, none of the Company, its holding company, any of subsidiaries or fellow subsidiaries was a party to any arrangements during the year to enable the Directors of the Company, including their spouses and children under 18 years of age, to acquire any interests by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

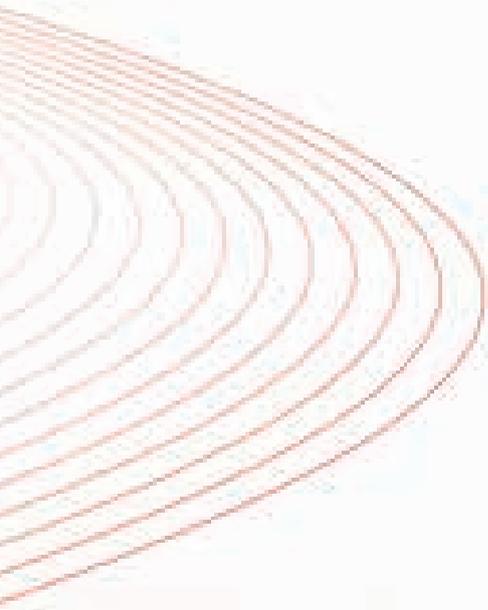
IV. SUFFICIENT PUBLIC FLOAT

According to the information which is publicly available to the Company and to the best of the knowledge of the Directors as at the latest practicable date (March 30, 2022) prior to the publication of this annual report, the Company has always maintained the public float as required under the Hong Kong Listing Rules.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the listed securities of the Company and its subsidiaries.

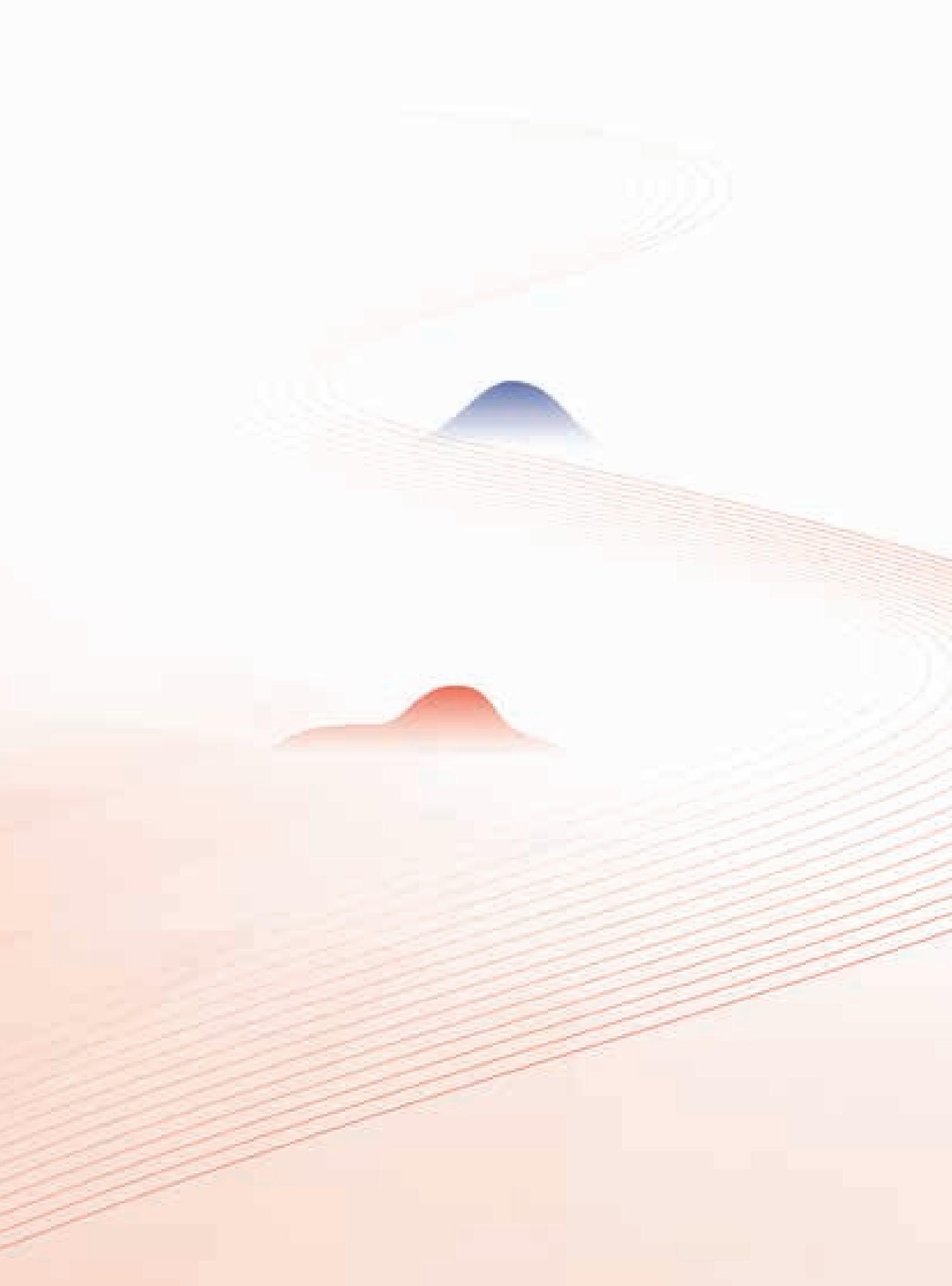
| SECTION 10
PREFERENCE SHARES



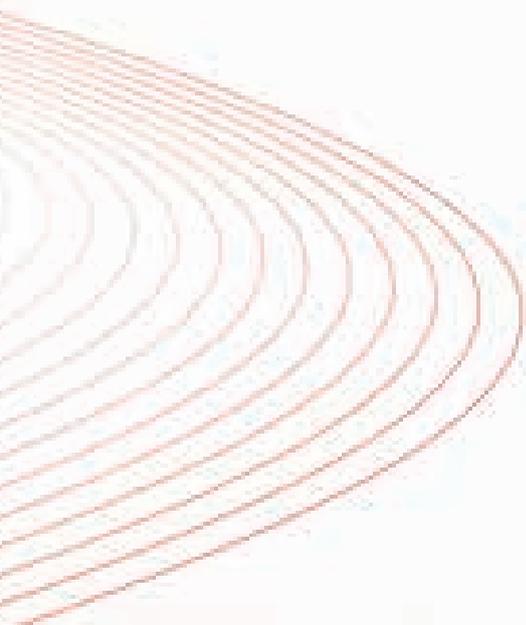
PREFERENCE SHARES

During the Reporting Period, the Company did not have any preference shares.





| SECTION 11
BONDS



I. ENTERPRISE BONDS

During the Reporting Period, the Company did not have any enterprise bonds.

II. CORPORATE BONDS

(I) Basic Information of Corporate Bonds

On May 31, 2013, the CSRC issued the Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds (Zheng Jian Xu Ke [2013] No. 725) 《關於核准廣發證券股份有限公司公開發行公司債券的批覆》(證監許可[2013]725 號)) and the Company was approved to publicly issue corporate bonds with a nominal value of not more than RMB12 billion to the public (the “2013 Corporate Bonds”). The outstanding bonds in issue within the limit as provided in the approval as of the end of the Reporting Period are as follows:

Unit: RMB

Name of bond	Abbreviation of bond	Code of bond	Issue date	Value date	Maturity date	Balance of bond	Coupon rate	Debt service	Trading place
The 2013 Corporate Bonds (Type III) of GF Securities Co., Ltd.	13 GF 03	112183	2013-06-17	2013-06-17	2023-06-17	9,000,000,000	5.10%	Interests shall be accrued and paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.	SZSE
Suitability arrangement of Investors (if any)	Target investors are social public investors who hold security accounts with the initial letters of A, B, D, F opened in the registered companies (excluding purchasers prohibited by laws and regulations) and institutional investors opening eligible securities accounts in the registered companies (excluding purchasers prohibited by laws and regulations).								
Applicable trading system	Listed and traded on Call Auction Mechanism and the integrated agreement trading platform of SZSE.								
Any risk of suspension of trading in the shares of the listed company and the response	N/A								



On November 9, 2018, the CSRC issued the Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2018] No. 1826) 《關於核准廣發證券股份有限公司向合格投資者公開發行公司債券的批覆》(證監許可[2018]1826號)) and the Company was approved to publicly issue corporate bonds with a nominal value of not more than RMB7.8 billion to qualified investors (the “2019 Corporate Bonds”). The outstanding bonds in issue within the limit as provided in the approval as of the end of the Reporting Period are as follows:

Unit: RMB

Name of bond	Abbreviation of bond	Code of bond	Issue date	Value date	Maturity date	Balance of bond	Coupon rate	Debt service	Trading place
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Qualified Investors in 2019 (First Tranche)	19 GF 03	112857	2019-02-27	2019-03-01	2022-03-01	7,800,000,000	3.70%	Interests shall be accrued and paid annually, while the principal shall be fully repaid upon maturity. Principal will be repaid upon maturity together with interest payable for the last period.	SZSE
Suitability arrangement of Investors (if any)	Target investors are qualified investors who comply the Management Measures on Corporate Bond Issuance and Trading and open an eligible A-share securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).								
Applicable trading system	Listed and traded on Call Auction Mechanism and the integrated agreement trading platform of SZSE simultaneously.								
Any risk of suspension of trading in the shares of the listed company and the response	N/A								

On May 13, 2021, the CSRC issued the Reply on Approval for GF Securities Co., Ltd. to Publicly Issue Corporate Bonds to Professional Investors (Zheng Jian Xu Ke [2021] No.1653) 《關於同意廣發證券股份有限公司向專業投資者公開發行公司債券註冊的批覆》(證監許可[2021]1653號)文件) and the Company was approved to publicly issue corporate bonds with a nominal value of not more than RMB50 billion to professional investors (the “2021 Corporate Bonds”). The outstanding bonds in issue within the limit as provided in the approval as of the end of the Reporting Period are as follows:

Unit: RMB

Name of bond	Abbreviation of bond	Code of bond	Issue date	Value date	Maturity date	Balance of bond	Coupon rate	Debt service	Trading place
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (First Tranche) (Type I)	21 GF 03	149499	2021-06-07	2021-06-08	2024-06-08	4,500,000,000	3.40%	Bonds use simple interest to accrue interest on an annual basis without compound interest. Interests shall be paid annually while the principal shall be fully repaid upon maturity.	SZSE
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (First Tranche) (Type II)	21 GF 04	149500	2021-06-07	2021-06-08	2026-06-08	1,000,000,000	3.68%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Second Tranche) (Type I)	21 GF 05	149562	2021-07-22	2021-07-23	2024-07-23	3,000,000,000	3.13%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Second Tranche) (Type II)	21 GF 06	149563	2021-07-22	2021-07-23	2026-07-23	4,500,000,000	3.45%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Second Tranche) (Type III)	21 GF 07	149564	2021-07-22	2021-07-23	2031-07-23	1,500,000,000	3.77%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Third Tranche) (Type I)	21 GF 08	149593	2021-08-12	2021-08-13	2022-09-07	4,600,000,000	2.69%	Principle shall be fully repaid upon maturity.	
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Third Tranche) (Type II)	21 GF 09	149594	2021-08-12	2021-08-13	2023-08-13	3,400,000,000	2.90%	Bonds use simple interest to accrue interest on an annual basis without compound interest. Interests shall be paid annually while the principal shall be fully repaid upon maturity.	

BONDS



Name of bond	Abbreviation of bond	Code of bond	Issue date	Value date	Maturity date	Balance of bond	Coupon rate	Debt service	Trading place
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Fourth Tranche) (Type I)	21 GF 10	149633	2021-09-15	2021-09-16	2024-09-16	3,000,000,000	3.10%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Fourth Tranche) (Type II)	21 GF 11	149634	2021-09-15	2021-09-16	2026-09-16	2,000,000,000	3.50%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Fourth Tranche) (Type III)	21 GF 12	149635	2021-09-15	2021-09-16	2031-09-16	2,000,000,000	3.90%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Fifth Tranche) (Type I)	21 GF 13	149658	2021-10-14	2021-10-15	2024-10-15	3,000,000,000	3.30%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Sixth Tranche) (Type I)	21 GF 16	149650	2021-10-28	2021-10-29	2023-10-29	4,200,000,000	3.10%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Sixth Tranche) (Type II)	21 GF 17	149687	2021-10-28	2021-10-29	2024-10-29	4,800,000,000	3.30%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Seventh Tranche) (Type I)	21 GF 19	149702	2021-11-16	2021-11-17	2024-11-17	4,000,000,000	3.15%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Seventh Tranche) (Type II)	21 GF 20	149703	2021-11-16	2021-11-17	2026-11-17	3,500,000,000	3.50%		
Corporate Bonds Publicly Issued by GF Securities Co., Ltd. to Professional Investors in 2021 (Seventh Tranche) (Type III)	21 GF 21	149704	2021-11-16	2021-11-17	2031-11-17	1,000,000,000	3.85%		

Suitability arrangement of Investors (if any) Target investors are professional investors who comply with the Management Measures on Corporate Bond Issuance and Trading and open an eligible securities account with China Securities Depository and Clearing Corporation Limited, Shenzhen Branch (excluding purchasers prohibited by laws and regulations).

Applicable trading system Listed and traded on Call Auction Mechanism and the integrated agreement trading platform of SZSE simultaneously.

Any risk of suspension of trading in the shares of the listed company and the response N/A

Outstanding Overdue Bonds

N/A

(II) Trigger and Performance of the Issuer or Investor Option Terms and Investor Protection Terms

N/A

(III) Information on Intermediaries

The trustees for the Company's outstanding corporate bonds during the Reporting Period are as follows:

Name of bond	Name of intermediary	Business address	Name of signing accountant	Contact person of intermediary	Contact number
2013 Corporate Bonds	China Merchants Securities Co., Ltd.	China Merchants Securities Tower, No. 111 Fuhua 1st Road, Futian Subdistrict, Futian District, Shenzhen	N/A	Zhang Huanhuan, Wang Dawei	0755-83081287
2019 Corporate Bonds	Guotai Junan Securities Co., Ltd.	No. 768 Nanjing Road West, Jing'an District, Shanghai	N/A	Jiang Zhiqiang, Wang Kunpeng, Sun Yiran	021-38676666
2021 Corporate Bonds	China Merchants Securities Co., Ltd.	China Merchants Securities Tower, No. 111 Fuhua 1st Road, Futian Subdistrict, Futian District, Shenzhen	N/A	Xu Si, Zhou Jiawen	0755-83081492



The accounting firms for the Company's outstanding corporate bonds during the Reporting Period are as follows:

Name of bond	Name of intermediary	Business address	Name of signing accountant	Contact person of intermediary	Contact number
2013 Corporate Bonds	Deloitte Touche Tohmatsu Certified Public Accountants LLP	No. 28 Zhujiang East Road, Tianhe District, Guangzhou City, Guangdong Province	Wang Mingjing, Chen Xiaoying	Chen Xiaoying	020-28311606
2019 Corporate Bonds	Public Accountants LLP		Hong Ruiming, Hu Xiaojun, Li Weihua	Hong Ruiming	020-28311202
2021 Corporate Bonds	Ernst & Young Hua Ming LLP	16th Floor, Ernst & Young Building, Oriental Plaza, No. 1 East Chang'an Street, Dongcheng District, Beijing, China	Chang Hua, Zhao Ya, He Yanyi	He Yanyi	020-28812888

The credit rating agencies for the Company's outstanding corporate bonds during the Reporting Period are as follows:

Name of bond	Name of intermediary	Business address	Name of signing accountant	Contact person of intermediary	Contact number
2013 Corporate Bonds	China Chengxin International Credit Rating Co., Ltd.	Building 5, Galaxy SOHO, Chaoyang Men Nei Street, Dongcheng District, Beijing	N/A	Gu Ran	010-66428877-566
2019 Corporate Bonds					
2021 Corporate Bonds					

The law firms for the Company's outstanding corporate bonds during the Reporting Period are as follows:

Name of bond	Name of intermediary	Business address	Name of signing accountant	Contact person of intermediary	Contact number
2013 Corporate Bonds	Beijing Jurisino Law Group	Rooms 1, 2, 10, 11 & 12, 6th Floor, Tower W2, Oriental Economic and Trade City, Oriental Plaza, No. 1 East Chang'an Street, Dongcheng District, Beijing	N/A	Jiao Yanlong	010 - 56162288
2019 Corporate Bonds	Jia Yuan Law Offices	F408, Ocean Plaza, 158 Fuxing Men Nei Street, Xicheng District, Beijing	N/A	Su Dunyuan, Wang Hao	0755-82789766
2021 Corporate Bonds					

Whether there was any change in above intermediaries during the Reporting Period

No

(IV) Use of Proceeds

Unit: RMB

Name of bond	Total amount of proceeds	Amount of proceeds utilized	Amount of proceeds not utilized	Operation of special account for the proceeds	Rectification of non-compliant use of proceeds	Consistency of the use of proceeds with the commitments, the planned use and other agreements in the prospectus
2013 Corporate Bonds	9,000,000,000	9,000,000,000	-	The Company designated a special account for the collection of the proceeds according to the requirements in the prospectus; as of the end of the Reporting Period, the proceeds have been used according to the plan set forth in the prospectus.	There was no non-compliant use of proceeds.	Yes
2019 Corporate Bonds	7,800,000,000	7,800,000,000	-			
2021 Corporate Bonds	50,000,000,000	50,000,000,000	-			

Use of proceeds for construction projects

N/A

Change by the Company of the use of proceeds from issuance of bonds as mentioned above during the Reporting Period

N/A

(V) Adjustments to Credit Rating during the Reporting Period

N/A



(VI) Performance of and Changes in Guarantees, Debt Repayment Schedule and Other Debt Repayment Safeguard Measures and the Effects on the Interests of Bond Investors

The above corporate bonds bear no warranties.

The debt repayment plans of the above corporate bonds: The Company will fulfill the obligation of interest payment on a timely basis as agreed in the bond prospectus. Such interest payment date shall be postponed to the next business day if the interest payment date or the repayment date falls on a statutory holiday or rest day, and no interest shall be accrued during such period. The principal and interest of corporate bonds shall be paid through registration authorities and relevant institutions. The detailed matters about principal and interest payment shall be explained by the Company in the relevant announcement published through the media designated by the CSRC according to the relevant national provisions. During the Reporting Period, there was no delayed payment of principal and interests for these corporate bonds and there was no default in debt settlement thereof.

The safeguard measures on debt repayment of the above corporate bonds include but are not limited to: retaining a bond manager; establishing special repayment work team; establishing the Bondholder Meeting Rules; and disclosing information strictly. Furthermore, if it is predicted that the interest and principal of the bonds cannot be repaid on time when due or if the interest and principal of the bonds cannot be repaid at the end of the period, the Company shall adopt the following measures in accordance with the mandatory requirements (if applicable) under laws, regulations or regulatory documents: 1. the proportion of discretionary surplus reserve fund and the proportion of general risk reserves shall be increased during the duration of the bonds in order to reduce the solvency risk; 2. no profit shall be distributed to the shareholders; 3. significant external investment, mergers and acquisitions, and other capital expenditure projects shall be postponed; 4. salary and bonus of the Directors and senior management shall be reduced or suspended; and 5. the main responsible person shall not be transferred.

During the Reporting Period, the above corporate bond's credit enhancement mechanism, debt repayment schedule and the other debt repayment supporting measures were not changed.

III. OTHER OUTSTANDING DEBT FINANCING INSTRUMENTS OF THE COMPANY

Name of debt financing instruments	Type	Code of debt financing instruments	Value date	Maturity date	Balance (RMB' 0,000)	Coupon rate
19 GF 01	Non-public corporate bonds	114436	2019-02-01	2022-02-01	300,000	3.90%
19 GF 02	Non-public corporate bonds	114437	2019-02-21	2022-02-21	400,000	4.00%
19 GF 05	Non-public corporate bonds	114445	2019-03-15	2022-03-15	320,000	4.00%
19 GF 06	Non-public corporate bonds	114487	2019-05-24	2022-05-24	330,000	4.10%
20 GF 01	Non-public corporate bonds	114655	2020-01-20	2023-01-20	500,000	3.65%
20 GF 02	Non-public corporate bonds	114687	2020-03-16	2023-03-16	580,000	3.20%
20 GF 04	Non-public corporate bonds	114819	2020-09-07	2023-09-07	370,000	4.00%
20 GF 08	Non-public corporate bonds	114848	2020-11-09	2022-11-09	140,000	3.83%
20 GF 11	Non-public corporate bonds	114870	2020-12-01	2022-12-01	130,000	4.00%
20 GF 13	Non-public corporate bonds	114880	2020-12-18	2022-01-07	300,000	3.70%
20 GF 14	Non-public corporate bonds	114890	2020-12-28	2022-01-27	320,000	3.65%
21 GF 01	Non-public corporate bonds	114899	2021-01-14	2022-02-11	370,000	3.43%
21 GF 02	Non-public corporate bonds	114911	2021-01-27	2022-02-23	300,000	3.50%
21 GF 22	Non-public corporate bonds	133127	2021-11-23	2022-12-16	370,000	2.85%
21 GF 24	Non-public corporate bonds	133142	2021-12-01	2022-12-24	420,000	2.84%
21 GF 25	Non-public corporate bonds	133143	2021-12-01	2023-05-25	80,000	3.05%
19 GF C1	Non-public subordinated bonds	118993	2019-01-21	2022-01-21	400,000	4.15%
20 GF C1	Non-public subordinated bonds	115105	2020-03-03	2023-03-03	200,000	3.35%
20 GF C2	Non-public subordinated bonds	115106	2020-03-03	2025-03-03	250,000	3.80%
21 GF Y1	Non-public perpetual subordinated bonds	115125	2021-09-06	2026-09-06	100,000	3.95%
21 GF Securities CP004	Short-term financing bills	072110004	2021-09-08	2022-03-08	300,000	2.50%
21 GF Securities CP005	Short-term financing bills	072110016	2021-09-24	2022-03-24	300,000	2.62%
21 GF Securities CP006	Short-term financing bills	072110035	2021-10-21	2022-10-21	300,000	2.90%
21 GF Securities CP007	Short-term financing bills	072110046	2021-10-25	2022-04-25	300,000	2.77%
21 GF Securities CP008	Short-term financing bills	072110050	2021-10-29	2022-04-29	300,000	2.73%
21 GF Securities CP009	Short-term financing bills	072110056	2021-11-08	2022-11-08	300,000	2.84%
19 GF Securities Financial Bonds 01	Financial bonds	091900012	2019-07-23	2022-07-23	500,000	3.63%



IV. DEBT FINANCING INSTRUMENTS FOR NON-FINANCIAL BUSINESSES

During the Reporting Period, the Company had no debt financing instruments for non-financial businesses.

V. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Company had no convertible corporate bonds.

VI. LOSSES DURING THE REPORTING PERIOD REPRESENTING MORE THAN 10% OF NET ASSETS AS AT THE END OF LAST YEAR ON A CONSOLIDATED BASIS

N/A

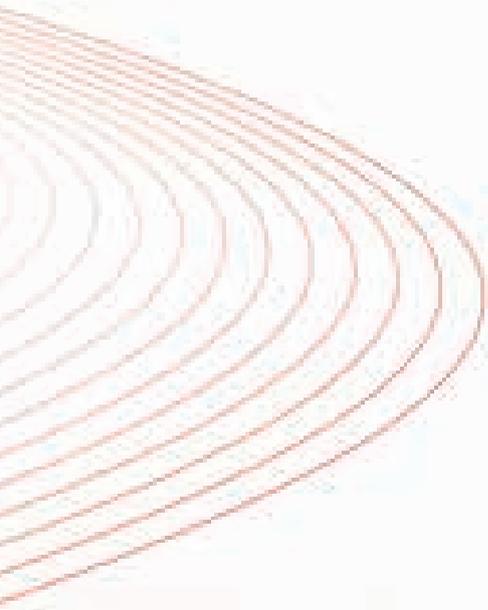
VII. INTEREST-BEARING DEBTS OTHER THAN BONDS OVERDUE AT THE END OF THE REPORTING PERIOD

N/A

VIII. WHETHER THERE WAS ANY NON-COMPLIANCE OF RULES AND REGULATIONS DURING THE REPORTING PERIOD

No

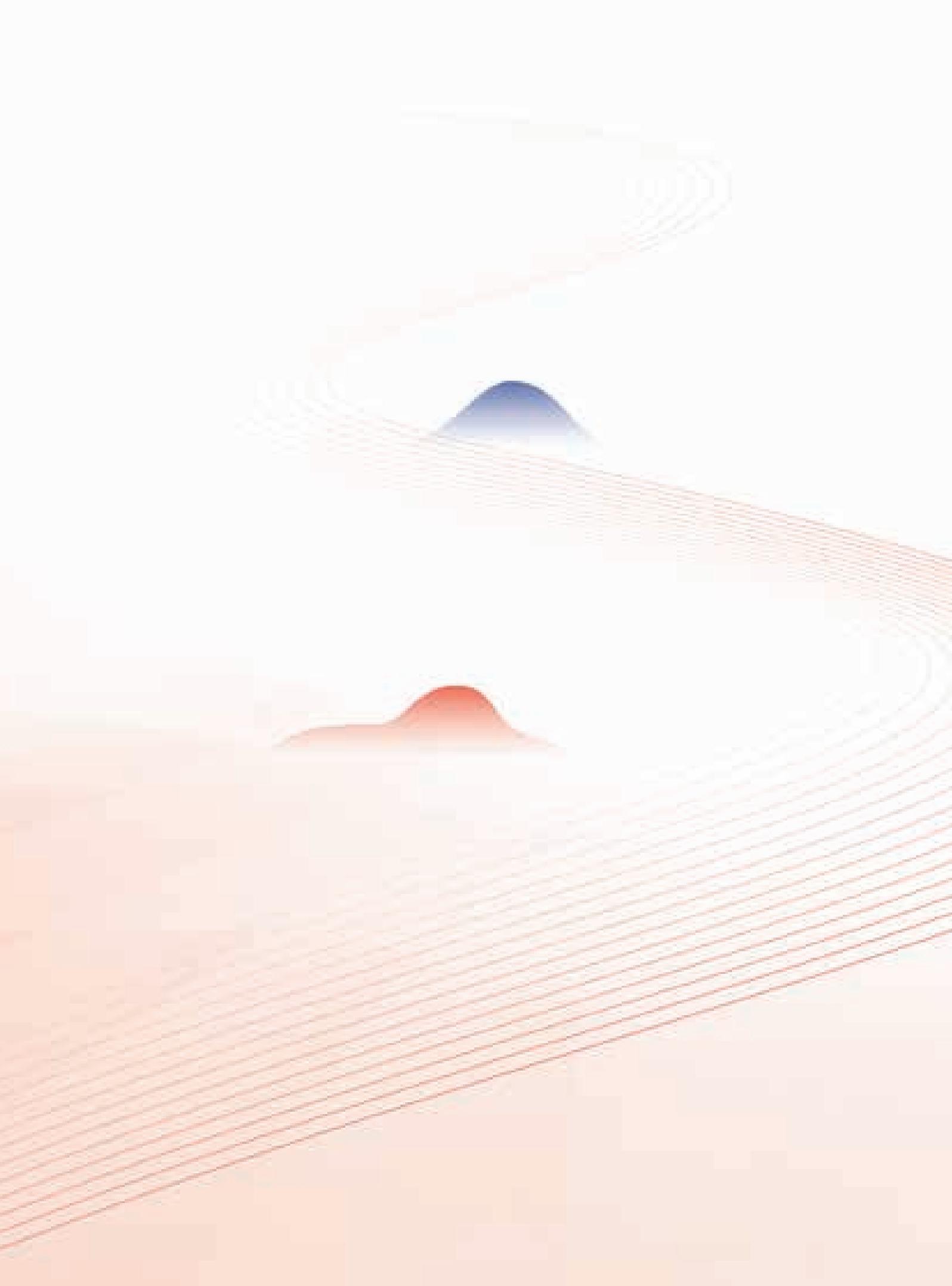
DOCUMENTS
AVAILABLE FOR
INSPECTION



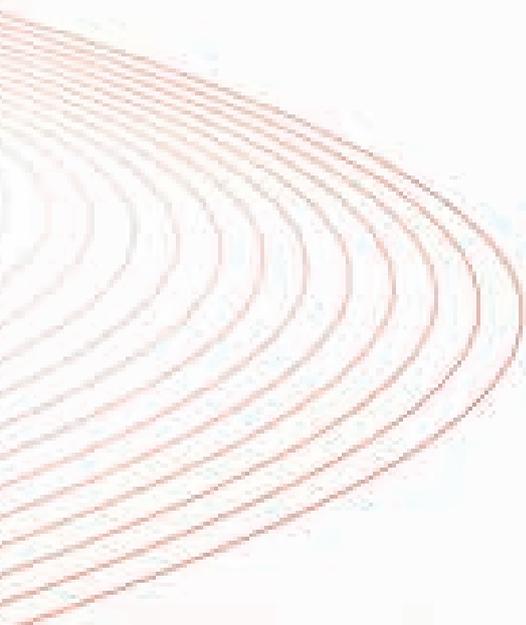
DOCUMENTS AVAILABLE FOR INSPECTION

- (1) Text of the annual financial report (H Share).
- (2) The original text of the auditor's report issued by Ernst & Young.
- (3) The original copies of all corporate documents and announcements publicly disclosed during the Reporting Period.





INDEPENDENT
AUDITOR'S REPORT,
CONSOLIDATED
FINANCIAL
STATEMENTS
AND NOTES



INDEPENDENT AUDITOR'S REPORT



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To the Shareholders of GF Securities Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of GF Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 253 to 428, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



KEY AUDIT MATTERS – *continued*

Key audit matters

How our audit addressed the key audit matter

Valuation of financial instruments

The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, particularly those require significant unobservable inputs, usually involve subjective judgement and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.

We evaluated and tested the design and operating effectiveness of the key controls relating to the valuation of financial instruments.

We evaluated the valuation techniques, inputs and assumptions through comparison with the valuation techniques commonly used in the markets, assessment of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.

As at 31 December 2021, financial assets and financial liabilities measured at fair value amounted to RMB236.38 billion and RMB11.80 billion respectively, representing 44.1% and 2.8% of total assets and total liabilities respectively. Financial instruments which require significant unobservable inputs in estimating fair value, and hence are categorised within level 3 of the fair value hierarchy, involve higher uncertainty in their valuation. As at 31 December 2021, 6.7% of financial assets and 45.2% of financial liabilities measured at fair value were categorised within level 3. Due to the significance of financial instruments measured at fair value and the uncertainty in the valuation involving significant judgements for unlisted equity, private equity fund investments and over-the-counter derivatives, valuation of financial instruments is considered a key audit matter.

For valuations which used significant unobservable inputs, such as unlisted equity investments, private equity fund investments and derivatives instruments, we involved our internal valuation specialists in assessing the models used, and re-performing independent valuations.

We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of fair value.

Relevant disclosures are included in notes 4 and 69 to the consolidated financial statements.

KEY AUDIT MATTERS – *continued*

Key audit matters

How our audit addressed the key audit matter

Impairment assessment of debt instruments at amortised cost, debt instruments at fair value through other comprehensive income, advances to customers, financial assets held under resale agreements and lease receivables

According to IFRS 9 *Financial instruments*, the Group adopts the “expected credit losses model” to measure the impairment of financial assets.

The financial instruments applicable to expected credit losses model mainly include the debt instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income, advances to customers, financial assets held under resale agreements and lease receivables, which amounted to RMB228.58 billion as at 31 December 2021, representing 42.7% of total assets, and the aggregate impairment allowance for the above financial assets amounted to RMB2.82 billion. Since impairment assessment involves significant judgement and assumptions, and in view of the significance of the amount, the impairment assessment of the above financial instruments is considered a key audit matter.

Relevant disclosures are included in notes 4, 27, 28, 30, 32(ii), 33, and 35 to the consolidated financial statements.

We evaluated and tested the effectiveness of the design and implementation of the key internal controls relating to the investment approval process, post approval management, credit rating, collateral monitoring and financial instrument impairment assessment, including the testing of relevant data quality and information systems.

We involved our internal specialists in assessing the model used, parameters and assumptions, which include staging, possibility of default, loss given default and exposure at default, and assessed the reasonableness of key management judgements involved.

We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of the expected credit impairment losses.



KEY AUDIT MATTERS – *continued*

Key audit matters

How our audit addressed the key audit matter

Consolidation assessment of structured entities

The Group has interests in various structured entities, such as wealth management products, funds and trust plans, in conducting financial investment and asset management. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration power arising from rights, variable returns, and the link between power and returns.

We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls a structured entity.

The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, and the performance fee and remuneration. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, consolidation or non-consolidation of structured entities is considered a key audit matter.

We assessed the Group's analysis and conclusions on whether it controls the structured entities based on the Group's analysis on its power over the structured entities, and the magnitude and variability of variable returns from its involvement with the structured entities. We also assessed whether the Group has legal or constructive obligation to absorb any loss of the structured entities by reviewing relevant term sheets, as well as the fairness of transactions between the Group and the structured entities.

We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of unconsolidated structured entities.

Relevant disclosures are included in notes 4 and 26 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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

The engagement partner on the audit resulting in the independent auditor's report is Ng Chi Keung.

Ernst & Young

Certified Public Accountants

Hong Kong

30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2021 RMB' 000	2020 RMB' 000
Revenue			
Commission and fee income	6	19,141,175	14,452,010
Interest income	7	13,659,072	11,698,181
Net investment gains	8	6,060,183	8,262,037
Total revenue		38,860,430	34,412,228
Other income and gains or losses	9	3,054,323	1,570,990
Total revenue and other income		41,914,753	35,983,218
Depreciation and amortisation	10	(759,598)	(786,744)
Staff costs	11	(10,930,686)	(9,029,829)
Commission and fee expenses	12	(356,602)	(337,561)
Interest expenses	13	(8,728,151)	(7,346,362)
Other operating expenses	14	(6,619,398)	(4,891,055)
Impairment losses	15	(3,347)	(1,898)
Credit loss expense	16	(980,923)	(853,695)
Total expenses		(28,378,705)	(23,247,144)
Share of results of associates and joint ventures		1,427,798	863,223
Profit before income tax		14,963,846	13,599,297
Income tax expense	17	(2,908,940)	(2,828,402)
Profit for the year		12,054,906	10,770,895
Attributable to:			
Owners of the Company		10,854,116	10,038,135
Non-controlling interests		1,200,790	732,760
		12,054,906	10,770,895
Earnings per share (Expressed in RMB Yuan per share)			
– Basic/Diluted	18	1.42	1.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 RMB' 000	2020 RMB' 000
Profit for the year	12,054,906	10,770,895
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Revaluation gains on equity instruments at fair value through other comprehensive income	(441,986)	239,024
Income tax related to the above	108,101	(59,563)
Share of other comprehensive loss of an associate	(319)	(1,017)
Total items that will not be reclassified to profit or loss in subsequent periods	<u>(334,204)</u>	<u>178,444</u>
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(154,445)</u>	<u>(351,287)</u>
Debt instruments at fair value through other comprehensive income:		
– Net fair value changes during the year	911,625	(144,284)
– Reclassification to profit or loss on disposal	(289,025)	(230,824)
– Reclassification to profit or loss on impairment	(42,182)	158,578
– Income tax related to the above	<u>(144,888)</u>	<u>53,051</u>
Net gains/(losses) on debt instruments at fair value through other comprehensive income	<u>435,530</u>	<u>(163,479)</u>
Share of other comprehensive income of associates and joint ventures:		
– Share of fair value gains/(losses) on financial assets of associates and joint ventures	1,730	(107,402)
– Share of exchange differences arising on translation of associates	<u>(2,207)</u>	<u>(2,399)</u>
Net losses on other comprehensive income of associates and joint ventures	<u>(477)</u>	<u>(109,801)</u>
Total items that may be reclassified to profit or loss in subsequent periods	<u>280,608</u>	<u>(624,567)</u>
Other comprehensive income for the year, net of tax	<u>(53,596)</u>	<u>(446,123)</u>
Total comprehensive income for the year	<u>12,001,310</u>	<u>10,324,772</u>
Attributable to:		
Owners of the Company	10,807,430	9,601,382
Non-controlling interests	<u>1,193,880</u>	<u>723,390</u>
	<u>12,001,310</u>	<u>10,324,772</u>

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Non-current assets			
Property and equipment	19	3,080,732	3,164,197
Right-of-use assets	20	1,977,816	1,835,617
Investment properties	21	60,742	42,399
Goodwill	22	2,122	2,184
Other intangible assets	23	329,956	262,806
Investments in associates	24	5,946,763	4,930,337
Investments in joint ventures	25	2,309,857	2,311,812
Debt instruments at amortised cost	27	58,779	116,610
Equity instruments at fair value through other comprehensive income	29	872,792	11,625,078
Other accounts receivable, other receivables and prepayments	32	266,155	326,587
Financial leasing receivables	33	88,782	558,599
Financial assets held under resale agreements	35	1,411,423	1,858,547
Financial assets at fair value through profit or loss	36	8,036,844	6,617,326
Deferred tax assets	42	2,118,832	1,323,840
Total non-current assets		26,561,595	34,975,939

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31.12.2021 RMB'000	As at 31.12.2020 RMB'000
Current assets			
Debt instruments at amortised cost	27	45,909	345,705
Debt instruments at fair value through other comprehensive income	28	110,475,096	120,182,381
Advances to customers	30	97,230,768	86,152,816
Accounts receivable	31	4,795,249	3,304,284
Other accounts receivable, other receivables and prepayments	32	918,699	824,098
Financial leasing receivables	33	645,530	977,034
Amounts due from joint ventures		10,508	99,281
Amounts due from associates	34	96,786	56,257
Financial assets held under resale agreements	35	18,580,809	14,935,302
Financial assets at fair value through profit or loss	36	116,427,568	61,080,068
Derivative financial assets	37	564,493	203,366
Deposits with exchanges and non-bank financial institutions	38	12,495,113	11,045,546
Clearing settlement funds	39	27,694,381	20,515,405
Bank balances	40	119,312,820	102,766,204
Total current assets		509,293,729	422,487,747
Total assets		535,855,324	457,463,686

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Current liabilities			
Borrowings	43	916,545	2,552,786
Short-term financing payables	44	27,876,760	35,008,179
Financial liabilities at fair value through profit or loss	45	8,577,682	3,456,254
Due to banks and other financial institutions	46	11,617,488	6,121,286
Accounts payable to brokerage clients	47	126,731,097	102,941,105
Accrued staff costs	48	5,812,580	4,990,056
Other accounts payable, other payables and accruals	49	12,592,000	5,655,933
Contract liabilities		111,173	47,087
Amounts due to joint ventures		–	59,377
Amounts due to associates		14,758	3,638
Provisions	50	405,872	415,058
Current tax liabilities		1,009,499	809,470
Other liabilities	51	1,130,498	1,174,030
Derivative financial liabilities	37	981,099	214,987
Financial assets sold under repurchase agreements	52	81,230,200	94,611,621
Bonds payable	53	62,302,836	22,009,246
Long-term loans	54	274,848	1,817,940
Lease liabilities	20	278,111	217,522
Total current liabilities		<u>341,863,046</u>	<u>282,105,575</u>
Net current assets		<u>167,430,683</u>	<u>140,382,172</u>
Total assets less current liabilities		<u>193,992,278</u>	<u>175,358,111</u>

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Non-current liabilities			
Financial liabilities at fair value through profit or loss	45	–	123,161
Accrued staff costs	48	4,305,899	3,140,364
Other accounts payable, other payables and accruals	49	20,879	49,510
Deferred tax liabilities	42	741,364	418,323
Bonds payable	53	76,380,096	67,740,617
Long-term loans	54	63,827	365,129
Lease liabilities	20	563,647	435,539
Other liabilities	51	1,115,223	811,882
Total non-current liabilities		<u>83,190,935</u>	<u>73,084,525</u>
Net assets		<u>110,801,343</u>	<u>102,273,586</u>
Capital and reserves			
Share capital	55	7,621,088	7,621,088
Other equity instruments	56	1,000,000	–
Capital reserve		31,283,732	31,199,360
Investment revaluation reserve	57	1,153,511	1,048,326
Translation reserve		(93,999)	57,872
General reserves	58	27,520,090	24,282,969
Retained profits	59	38,140,088	33,952,582
Equity attributable to owners of the Company		<u>106,624,510</u>	<u>98,162,197</u>
Non-controlling interests		<u>4,176,833</u>	<u>4,111,389</u>
Total equity		<u>110,801,343</u>	<u>102,273,586</u>

Approved and authorised for issue by the Board of Directors on 30 March 2022.

Lin Chuanhui

Chairman, Executive Director and President

Sun Xiaoyan

Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company									
	Share capital	Capital reserve	Other equity instruments	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Subtotal	Non-controlling interests	Total equity
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
	(Note 55)		(Note 56)	(Note 57)		(Note 58)	(Note 59)			
At 1 January 2021	7,621,088	31,199,360	-	1,048,326	57,872	24,282,969	33,952,582	98,162,197	4,111,389	102,273,586
Profit for the year	-	-	-	-	-	-	10,854,116	10,854,116	1,200,790	12,054,906
Other comprehensive income for the year	-	-	-	105,185	(151,871)	-	-	(46,686)	(6,910)	(53,596)
Total comprehensive income for the year	-	-	-	105,185	(151,871)	-	10,854,116	10,807,430	1,193,880	12,001,310
Issue of perpetual bonds	-	-	1,000,000	-	-	-	-	1,000,000	-	1,000,000
Appropriation to general reserves	-	-	-	-	-	3,237,121	(3,237,121)	-	-	-
Dividends recognised as distribution (Note 60)	-	-	-	-	-	-	(3,429,489)	(3,429,489)	(905,382)	(4,334,871)
Others	-	84,372	-	-	-	-	-	84,372	(223,054)	(138,682)
At 31 December 2021	<u>7,621,088</u>	<u>31,283,732</u>	<u>1,000,000</u>	<u>1,153,511</u>	<u>(93,999)</u>	<u>27,520,090</u>	<u>38,140,088</u>	<u>106,624,510</u>	<u>4,176,833</u>	<u>110,801,343</u>

	Equity attributable to owners of the Company									
	Share capital	Capital reserve	Other Equity Instruments	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Subtotal	Non-controlling interests	Total equity
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
	(Note 55)		(Note 56)	(Note 57)		(Note 58)	(Note 59)			
At 1 January 2020	7,621,088	31,205,149	-	1,139,901	403,050	21,209,246	29,655,551	91,233,985	2,902,611	94,136,596
Profit for the year	-	-	-	-	-	-	10,038,135	10,038,135	732,760	10,770,895
Other comprehensive income for the year	-	-	-	(91,575)	(345,178)	-	-	(436,753)	(9,370)	(446,123)
Total comprehensive income for the year	-	-	-	(91,575)	(345,178)	-	10,038,135	9,601,382	723,390	10,324,772
Capital injection from non-controlling shareholders	-	(10,626)	-	-	-	-	-	(10,626)	864,401	853,775
Appropriation to general reserves	-	-	-	-	-	3,073,723	(3,073,723)	-	-	-
Dividends recognised as distribution (Note 60)	-	-	-	-	-	-	(2,667,381)	(2,667,381)	(365,513)	(3,032,894)
Others	-	4,837	-	-	-	-	-	4,837	(13,500)	(8,663)
At 31 December 2020	<u>7,621,088</u>	<u>31,199,360</u>	<u>-</u>	<u>1,048,326</u>	<u>57,872</u>	<u>24,282,969</u>	<u>33,952,582</u>	<u>98,162,197</u>	<u>4,111,389</u>	<u>102,273,586</u>

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	2021 RMB' 000	2020 RMB' 000
OPERATING ACTIVITIES		
Profit before income tax	14,963,846	13,599,297
Adjustments for:		
Interest expenses	8,728,151	7,346,362
Share of results of associates and joint ventures	(1,427,798)	(863,223)
Depreciation and amortisation	759,598	786,744
Impairment losses	3,347	1,898
Credit loss expense	980,923	853,695
Gain on disposal of property and equipment and other intangible assets	(1,944)	(35,215)
Gain on disposal of subsidiaries, associates and joint ventures	(17,841)	(677)
Foreign exchange gains, net	(4,265)	(34,604)
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	(289,025)	(230,824)
Dividend income and interest income from financial instruments at fair value through other comprehensive income	(4,071,596)	(3,250,770)
Interest income from debt instruments at amortised cost	(28,897)	(65,251)
Unrealised fair value changes in financial assets at fair value through profit or loss	(625,194)	(2,130,625)
Unrealised fair value changes in financial liabilities at fair value through profit or loss	(145,407)	(83,887)
Unrealised fair value changes in derivatives	234,639	(18,806)

CONSOLIDATED STATEMENT OF CASH FLOWS

	2021 RMB' 000	2020 RMB' 000
Operating cash flows before movements in working capital	19,058,537	15,874,114
Increase in advances to customers	(11,444,423)	(31,617,864)
(Increase)/Decrease in financial assets held under resale agreements	(3,811,940)	3,476,364
(Increase)/Decrease in financial assets at fair value through profit or loss	(53,434,248)	10,075,902
Increase in deposits with exchanges and non-bank financial institutions	(1,451,633)	(4,402,410)
Decrease/(Increase) in restricted bank deposits	1,101,991	(2,280,143)
Decrease/(Increase) in other current assets	295,464	(12,895)
(Increase)/Decrease in clearing settlement funds-clients	(6,441,981)	383,203
Increase in cash held on behalf of customers	(17,027,065)	(22,104,288)
Increase in financial liabilities at fair value through profit or loss	5,191,127	2,476,238
Increase in accounts payable to brokerage clients	23,909,661	23,536,413
Increase in accrued staff costs	1,991,826	2,032,502
Increase in other accounts payable, other payables and accruals and other liabilities	5,549,337	2,919,694
Decrease in financial assets sold under repurchase agreements	(13,218,834)	(544,457)
Increase in amounts due to banks and other financial institutions	5,546,526	3,250,248
Increase/(Decrease) in provision	1,687	(7,916)
Cash (used in)/from operations	(44,183,968)	3,054,705
Income taxes paid	(3,192,201)	(2,471,213)
Interest paid	(3,459,781)	(2,668,548)
Net cash used in operating activities	(50,835,950)	(2,085,056)

CONSOLIDATED STATEMENT OF CASH FLOWS

	2021 RMB' 000	2020 RMB' 000
INVESTING ACTIVITIES		
Dividends and interest received from investments	5,302,777	3,716,650
Purchases of property and equipment and other intangible assets	(670,947)	(3,047,082)
Proceeds from disposal of property and equipment and other intangible assets	6,699	42,042
Capital injection to associates and joint ventures	(721,561)	(552,684)
Proceeds from disposal of interests in associates and joint ventures	272,179	289,422
Proceeds from disposal of subsidiaries	485,643	–
Purchase or proceeds from disposal of financial instruments at fair value through other comprehensive income, net	16,323,701	(21,531,586)
Purchase or proceeds from disposal of debt instruments at amortised cost, net	241,592	1,633,727
Net cash from/(used in) investing activities	21,240,083	(19,449,511)
FINANCING ACTIVITIES		
Proceeds from perpetual subordinated bonds issued	1,000,000	–
Dividends paid to shareholders and non-controlling interests	(4,277,944)	(3,032,894)
Repayment of interest of borrowings	(79,067)	(123,127)
Repayment of short-term financing payables and bond interest	(4,543,512)	(4,302,361)
Repayment of interest of long-term loans	(64,565)	(142,914)
Capital injection from non-controlling shareholders	–	853,775
Capital reduction by non-controlling shareholders	(143,322)	(13,500)
Proceeds from short-term financing payables and bonds issued	120,928,232	115,101,917
Repayment of short-term financing payables and bonds	(79,709,445)	(88,014,094)
Proceeds from borrowings	535,455	2,143,722
Repayment of borrowings	(2,140,364)	(518,704)
Proceeds from long-term loans	–	265,837
Repayment of long-term loans	(1,823,599)	(1,545,901)
Payment of principal and interest on lease liabilities	(302,044)	(288,408)
Proceeds from other financing activities	1,648,025	3,000
Repayment of other financing activities	(9,161)	(130,000)
Net cash from financing activities	31,018,689	20,256,348
Net increase/(decrease) in cash and cash equivalents	1,422,822	(1,278,219)
Cash and cash equivalents at the beginning of the year	19,907,205	21,302,612
Effect of foreign exchange rate changes	(48,751)	(117,188)
Cash and cash equivalents at the end of the year	21,281,276	19,907,205

The accompanying notes form an integral part of these consolidated financial statements



1. GENERAL INFORMATION OF THE GROUP

With the approval of the People's Bank of China, Guangdong Development Bank (廣東發展銀行) (now known as China Guangfa Bank) established a securities department on 9 April 1991. With the approval of the Guangdong Administration for Industry and Commerce, GF Securities Co., Ltd. (the "Company") was duly established as the Securities Department of Guangdong Development Bank (廣東發展銀行證券業務部) on 21 May 1993. On 25 January 1994, the Company was converted into Guangdong Guangfa Securities Company (廣東廣發證券公司) whose capital was contributed by Guangdong Development Bank with its own funds. On 26 December 1996, the Company was converted into a limited liability company and changed its name to Guangfa Securities Limited Liability Company (廣發證券有限責任公司). On 26 August 1999, the Company was spun off from Guangdong Development Bank as required by the sectoral regulation of the financial industries under PRC laws. On 25 July 2001, the Company was converted into a joint stock company and changed its name to GF Securities Co., Ltd. (廣發證券股份有限公司). On 12 February 2010, the Company was listed on the Shenzhen Stock Exchange by completing a reverse takeover of Yan Bian Road Construction Co., Ltd. (延邊公路建設股份有限公司) ("Yan Bian Road"), with the stock code 000776. On 10 April 2015, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The registered office of the Company is located at Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong, People's Republic of China ("PRC").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in securities brokerage, securities investment consultation, the financial advisory business relating to securities trading and securities investment, securities underwriting and sponsorship, securities proprietary trading, the proxy sale of securities investment funds, the provision of futures intermediary services for futures companies, margin financing and securities lending, the proxy sale of financial products, securities investment fund custodian, market-making of stock options, asset management, project and investment management, commodity futures brokerage, financial futures brokerage and futures investment advisory.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the 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 (“the Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance.

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

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

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

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.



2.2 BASIS OF CONSOLIDATION

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

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

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

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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

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

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

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

2.2 BASIS OF CONSOLIDATION – *continued*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The Group serves as the manager of asset management schemes and funds. These asset management schemes and funds invest mainly in equities, debt securities and monetary market instruments. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such asset management schemes and funds, with control determined based on an analysis of the guidance in IFRS 10 *Consolidated Financial Statements*, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such asset management schemes and funds for cash. These are presented as "Third-party interests in consolidated structured entities" within other liabilities in the consolidated statement of financial position.



2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied the following revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for the current year:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
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The application of the revised IFRSs has had no significant impact on the Group’s consolidated financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not early adopted any other standard, interpretation or amendments that have been issued but are not yet effective.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
IFRS 17	<i>Insurance Contracts²</i>
Amendments to IFRS 17	<i>Insurance Contracts^{2,4}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 Comparative Information²</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ¹

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

The application of the new and revised IFRSs will not have a significant impact on the Group’s consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below.

Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within a group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.

Investments in associates and joint ventures

An associate is an entity 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.



3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments in associates and joint ventures – *continued*

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments in associates and joint ventures – continued

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

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

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.



3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

Revenue from contracts with customers – continued

(a) *Securities brokerage and investment consulting business*

Income from the securities brokerage is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognised when the related services are rendered.

Income from the investment consulting business is recognised when the relevant transactions have been arranged or the relevant services have been rendered.

(b) *Underwriting and sponsorship business*

Income from the underwriting and sponsorship business is recognised when the obligation of underwriting or sponsoring is completed.

(c) *Asset management business*

Income from regular management fees is recognised periodically based on a predetermined fixed percentage of the asset value under the asset management agreement. Income from performance fees is recognised when the performance fee is determinable based on actual performance measurement, as and when the associated contingent criteria are met.

(d) *Other business*

Income from other business is recognised when control of goods or services is transferred to the customers.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods and services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.



3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leases – continued

Group as a lessee – continued

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leases – continued

Group as a lessee – continued

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.



3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property and equipment

Property and equipment including buildings and leasehold land (classified as finance leases) for use in the supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of the costs of the buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

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

Classes	Estimated residual value rates	Useful lives
Properties and buildings	nil	30 – 50 years
Electronic and communication equipment	nil	3 – 5 years
Motor vehicles	nil	4 – 6 years
Office equipment	nil	5 – 11 years
Improvements	nil	5 -10 years

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives (i.e. trading seats) that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Classes	Useful lives
Computer software	5 years
Others	5 years



3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets – *continued*

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Impairment of tangible and intangible assets other than goodwill and financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of tangible and intangible assets other than goodwill and financial assets – *continued*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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;

or



3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

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 the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.



3. SIGNIFICANT ACCOUNTING POLICIES – continued

Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefit expenses for those services in profit or loss.

Short-term social welfare

Short-term social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on a certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Defined contribution plans

Payments to defined contribution plans which include the mandatory the social pension insurance plan and unemployment insurance plan managed by the mainland government, the Mandatory Provident Fund Scheme to the employees in Hong Kong and the annuity scheme for qualified employees, are recognised as expenses when employees have rendered service entitling them to the contributions.

Early retirement benefits

The Group provides early retirement benefits to those employees in Mainland China who accepted an early retirement arrangement.

The liability related to early retirement benefits is recognised when the employees voluntarily retired before the normal retirement date, as approved by management. The early retirement benefits represented the liability at the end of the reporting period with the changes recognised in profit or loss.

Other long-term benefits

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.



3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Other equity instruments

The perpetual subordinated bonds issued by the Group have no fixed maturity dates. The Group has the option to defer interest payment, the Group contain no contractual obligation to deliver cash or another financial asset, classified as equity instruments.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – continued

Financial assets – continued

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value changes recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment assessment.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – continued

Financial assets – continued

Subsequent measurement – continued

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – continued

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for Expected Credit Loss (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (“a 12-month ECL”). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – continued

Impairment of financial assets – continued

General approach – continued

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Purchased or originated credit-impaired (“POCI”) assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – continued

Impairment of financial assets – continued

Simplified approach

For accounts receivable, contract assets and other receivables and prepayments that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable, contract assets and other receivables and prepayments that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or other financial liabilities.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term financing payables, amounts due to banks and other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – continued

Financial liabilities – continued

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Other financial liabilities

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.



3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – continued

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – continued

Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognised in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase is recognised as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

Accounts payable to brokerage customers

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognises the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of the purchased securities exceeds that of the sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of the sold securities exceeds that of the purchased securities, accounts payable to brokerage customers increase by the difference after deducting the withholding stamp duty and commission.

Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for short-selling of securities, for which the customers provide the Group with collateral.

Margin financing services

The Group recognises margin financing services to customers as margin accounts receivable, and recognises the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivable is determined with reference to the policy of provision for impairment of financial assets measured at amortised cost.



3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Margin financing and securities lending services – continued

Securities lending services

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognised as interest income according to the margin financing agreement. The securities lending services are not derecognised. The financial assets are recognised as securities lending services in financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, and are subsequently measured according to financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor’s returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as investment manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Fair values of financial assets and derivative financial instruments determined using valuation techniques

If the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques, such as the discounted cash flow analysis model. In practice, the discounted cash flow analysis model makes the maximum use of observable inputs, but management still needs to make estimations on counterparty credit risk, the volatility of the market interest rate and correlation factors. If there is a change in any assumption of the above factors, the assessment of the fair value of financial instruments will be affected.

Impairment of financial instruments

The Group assesses the impairment of financial instruments using the ECL model. The application of the ECL model requires significant judgement and estimation, and consideration of all reasonable and relevant information including forward-looking information. When making such judgement and estimation, the Group estimates the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economic indicators, and industrial risk.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in note 42.



5. SEGMENT REPORTING

Information reported to the chief operating decision maker (hereinafter referred to as the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of services provided by the Group, which is also consistent with the Group’s basis of organisation, whereby the businesses are organised and managed separately as individual strategic business units that offer different services and serve different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors of the Company, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group’s operating segments are as follows:

- (a) Investment banking, which primarily includes underwriting commissions and sponsorship and advisory fees from equity and debt underwriting and financial advisory services;
- (b) Wealth management, which primarily includes fees and commissions earned from providing brokerage and investment advisory services to retail clients, as well as interest income earned from margin financing and securities lending activities, reverse repurchase transactions, financial leasing, cash held on behalf of clients and fees earned from selling financial products developed by the Group and other financial institutions;
- (c) Trading and institution, which primarily includes investment gains and interest income earned from investment trading of, and market-making in equity, fixed income, derivative securities and other financial products, as well as investment gains from alternative investments, and fees and commissions earned from providing investment research and prime brokerage services to institutional clients;
- (d) Investment management, which primarily includes management and advisory fees earned from providing asset management, mutual fund management, private fund management services to clients and etc;
- (e) Others, which primarily includes income from head office operations.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year.

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expenses as well as the share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets or liabilities. Inter-segment balances mainly resulted from branches’ operating funds injected by the head office are eliminated on consolidation. The segment results exclude income tax expense and share of results of associates and joint ventures, while the segment assets and liabilities include prepaid taxes, current tax liabilities as well as interests in associates and joint ventures, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT REPORTING – continued

The operating and reportable segment information provided to the chief operating decision maker for the years ended 31 December 2021 and 2020 is as follows:

	Investment banking RMB' 000	Wealth management RMB' 000	Trading and institution RMB' 000	Investment management RMB' 000	Others RMB' 000	Segment total RMB' 000	Elimination RMB' 000	Consolidated total RMB' 000
For the year ended								
31 December 2021								
Segment revenue and results								
Segment revenue	440,141	15,494,569	11,903,207	10,940,956	81,557	38,860,430	–	38,860,430
Segment other income and gains or losses	1,383	2,152,376	(59,534)	403,289	556,809	3,054,323	–	3,054,323
Segment revenue and other income	441,524	17,646,945	11,843,673	11,344,245	638,366	41,914,753	–	41,914,753
Segment expenses	(662,408)	(10,956,859)	(6,580,591)	(6,517,812)	(3,661,035)	(28,378,705)	–	(28,378,705)
Segment results	(220,884)	6,690,086	5,263,082	4,826,433	(3,022,669)	13,536,048	–	13,536,048
Share of results of associates and joint ventures	–	460	(14,911)	1,362,876	79,373	1,427,798	–	1,427,798
Profit/(loss) before income tax	(220,884)	6,690,546	5,248,171	6,189,309	(2,943,296)	14,963,846	–	14,963,846
As at 31 December 2021								
Segment assets and liabilities								
Segment assets	132,347	133,713,664	201,177,279	35,695,419	164,501,783	535,220,492	(1,484,000)	533,736,492
Deferred tax assets								2,118,832
Group's total assets								535,855,324
Segment liabilities	99,455	112,350,692	104,188,583	14,791,642	192,882,245	424,312,617	–	424,312,617
Deferred tax liabilities								741,364
Group's total liabilities								425,053,981
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	4,128	315,842	19,231	109,114	311,283	759,598	–	759,598
Impairment losses	–	3,297	–	–	50	3,347	–	3,347
Credit loss expense	(12,069)	935,019	37,544	15,348	5,081	980,923	–	980,923
Capital expenditure	4,562	144,459	56,503	44,718	223,765	474,007	–	474,007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT REPORTING – continued

	Investment banking RMB' 000	Wealth management RMB' 000	Trading and institution RMB' 000	Investment management RMB' 000	Others RMB' 000	Segment total RMB' 000	Elimination RMB' 000	Consolidated total RMB' 000
For the year ended 31 December 2020								
Segment revenue and results								
Segment revenue	672,174	13,354,929	9,571,194	10,673,299	140,632	34,412,228	-	34,412,228
Segment other income and gains or losses	3,589	1,853,987	13,584	(1,076,401)	776,231	1,570,990	-	1,570,990
Segment revenue and other income	675,763	15,208,916	9,584,778	9,596,898	916,863	35,983,218	-	35,983,218
Segment expenses	(632,500)	(8,945,834)	(6,017,731)	(4,667,023)	(2,984,056)	(23,247,144)	-	(23,247,144)
Segment results	43,263	6,263,082	3,567,047	4,929,875	(2,067,193)	12,736,074	-	12,736,074
Share of results of associates and joint ventures	-	1,013	(25,596)	905,635	(17,829)	863,223	-	863,223
Profit/(loss) before income tax	43,263	6,264,095	3,541,451	5,835,510	(2,085,022)	13,599,297	-	13,599,297
As at 31 December 2020								
Segment assets and liabilities								
Segment assets	269,549	115,340,134	163,809,010	32,162,714	146,023,439	457,604,846	(1,465,000)	456,139,846
Deferred tax assets								1,323,840
Group's total assets								<u>457,463,686</u>
Segment liabilities	111,457	98,133,843	91,847,434	9,144,335	155,534,708	354,771,777	-	354,771,777
Deferred tax liabilities								418,323
Group's total liabilities								<u>355,190,100</u>
Other segment information								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation and amortisation	3,967	311,587	16,095	105,566	349,529	786,744	-	786,744
Impairment losses	-	1,848	-	-	50	1,898	-	1,898
Credit loss expense	7,094	499,929	344,083	2,687	(98)	853,695	-	853,695
Capital expenditure	3,808	128,724	16,328	855,743	900,974	1,905,577	-	1,905,577

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue is substantially derived from its operations in the PRC. The Group's inter-segment revenue is not material and is not included in the report to the CODM.

There are no sales to a single customer from which the revenue amounted to over 10% to the Group's revenue for the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. COMMISSION AND FEE INCOME

	2021 RMB' 000	2020 RMB' 000
Securities brokerage business commission and fee income	7,724,171	6,460,467
Asset management and fund management fee income	9,945,693	6,598,048
Underwriting and sponsorship fee income	381,207	557,551
Consultancy and financial advisory fee income	180,437	273,897
Futures brokerage business commission and fee income	580,895	418,307
Others	328,772	143,740
	<u>19,141,175</u>	<u>14,452,010</u>

7. INTEREST INCOME

	2021 RMB' 000	2020 RMB' 000
Margin financing and securities lending	6,351,931	4,852,447
Debt instruments at fair value through other comprehensive income	3,424,860	3,242,108
Deposits with exchanges and financial institutions	2,959,565	2,473,596
Financial assets held under resale agreements	807,769	827,638
Leasing business	83,854	207,960
Debt instruments at amortised cost	28,897	65,251
Others	2,196	29,181
	<u>13,659,072</u>	<u>11,698,181</u>


8. NET INVESTMENT GAINS

	2021 RMB' 000	2020 RMB' 000
Net realised gains from disposal of financial instruments at fair value through other comprehensive income	289,025	230,824
Net realised gains from disposal of financial instruments at fair value through profit or loss	1,560,239	3,846,207
Dividend income and interest income from financial instruments at fair value through profit or loss	2,370,486	2,247,440
Dividend income from financial instruments at fair value through other comprehensive income	646,736	8,662
Net realised gains/(losses) from derivatives	468,671	(191,830)
Unrealised fair value changes of financial instruments at fair value through profit or loss		
– Financial assets at fair value through profit or loss	625,194	2,130,625
– Financial liabilities at fair value through profit or loss	145,407	83,887
– Derivatives	(45,575)	(93,778)
	6,060,183	8,262,037

9. OTHER INCOME AND GAINS OR LOSSES

	2021 RMB' 000	2020 RMB' 000
Commodity trading income	2,057,656	1,758,440
Third-party interests in consolidated structured entities ⁽ⁱ⁾	(281,207)	(1,410,929)
Government grants ⁽ⁱⁱ⁾	1,178,005	1,087,532
Commission from tax withholding and remitting	50,114	44,617
Gains on disposal of subsidiaries, associates and joint ventures	17,841	677
Others	31,914	90,653
	3,054,323	1,570,990

- (i) In 2021, no amounts (2020: RMB98.04 million) was attributable to priority tranche holders of structured entities.
- (ii) The government grants were received unconditionally by the Group from the local government to support operations in the designated locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. DEPRECIATION AND AMORTISATION

	2021 RMB' 000	2020 RMB' 000
Depreciation of property and equipment	334,437	358,971
Depreciation of investment properties	3,300	3,100
Depreciation of right-of-use assets	315,600	321,899
Amortisation of other intangible assets	106,261	102,774
	<u>759,598</u>	<u>786,744</u>

11. STAFF COSTS

	2021 RMB' 000	2020 RMB' 000
Salaries, bonuses and allowances and other long-term benefits	9,418,698	8,012,204
Short-term social welfares	365,021	307,493
Defined contribution plans	628,036	309,864
Others	518,931	400,268
	<u>10,930,686</u>	<u>9,029,829</u>

The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, unemployment insurance, health care insurance, housing funds and other social welfare plan operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. The social pension insurance and unemployment insurance are defined contribution plans.

In addition to the above social welfare plans, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on a certain percentage of employees' salaries and recognised in profit or loss as expenses. These annuity schemes are defined contribution plans.

The Group also operates the Mandatory Provident Fund Scheme, also a defined contribution plan, for all qualified employees in Hong Kong. The Group contributes a certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The contributions to the defined contribution plans are expensed as incurred. The Group cannot withdraw or utilise its fund contributions made to the defined contribution plans under any circumstance.



12. COMMISSION AND FEE EXPENSES

	2021 RMB' 000	2020 RMB' 000
Securities and futures brokerage business expenses	334,655	307,112
Underwriting and sponsorship fee expenses	1,606	16,619
Other service expenses	20,341	13,830
	<u>356,602</u>	<u>337,561</u>

Note: Distribution expenses for the fund and asset management business amounting to RMB2,218.93 million (2020: RMB1,333.97 million) are classified under other operating expenses as described in note 14.

13. INTEREST EXPENSES

	2021 RMB' 000	2020 RMB' 000
Bonds payable	4,069,723	3,577,931
Financial assets sold under repurchase agreements	2,232,015	1,950,889
Short-term financing payables	1,133,983	771,923
Borrowings	77,701	124,862
Due to banks and other financial institutions	540,388	281,241
Accounts payable to brokerage clients	465,795	333,404
Long-term loans	55,651	134,599
Lease liabilities	34,883	32,537
Others	118,012	138,976
	<u>8,728,151</u>	<u>7,346,362</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. OTHER OPERATING EXPENSES

	2021 RMB' 000	2020 RMB' 000
Commodity trading costs	2,054,293	1,752,904
General and administrative expenses	914,301	692,520
Taxes and surcharges	222,684	169,844
Rents and utilities	146,335	161,943
Distribution expenses for fund and asset management business	2,218,934	1,333,968
Post and telecommunications expenses	248,087	231,793
Securities and futures investor protection funds	145,823	103,135
Advertisement and business development expenses	246,424	117,327
Auditors' remuneration	8,547	8,534
Sundry expenses	413,970	319,087
	<u>6,619,398</u>	<u>4,891,055</u>

15. IMPAIRMENT LOSSES

	2021 RMB' 000	2020 RMB' 000
Other intangible assets	50	50
Others	3,297	1,848
	<u>3,347</u>	<u>1,898</u>

16. CREDIT LOSS EXPENSE

	2021 RMB' 000	2020 RMB' 000
Debt instruments at amortised cost	102,601	148,869
Debt instruments at fair value through other comprehensive income	(42,182)	158,578
Advances to customers	285,389	81,452
Accounts receivable	(9,773)	35,870
Lease receivables	71,514	306,858
Financial assets held under resale agreements	585,189	64,409
Others	(11,815)	57,659
	<u>980,923</u>	<u>853,695</u>


17. INCOME TAX EXPENSE

	2021 RMB' 000	2020 RMB' 000
Current tax:		
PRC Enterprise Income Tax	3,313,365	2,917,096
Hong Kong Profits Tax and other jurisdictions	78,631	20,624
	<u>3,391,996</u>	<u>2,937,720</u>
Deferred income tax (Note 42)	(483,056)	(109,318)
	<u><u>2,908,940</u></u>	<u><u>2,828,402</u></u>

Under the Enterprise Income Tax of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the Company and its main subsidiaries in the PRC is 25% (2020: 25%).

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for both years. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	2021 RMB' 000	2020 RMB' 000
Profit before income tax	14,963,846	13,599,297
Tax at the statutory tax rate of 25%	3,740,962	3,399,824
Tax effect of share of profits of associates and joint ventures	(260,824)	(163,515)
Tax effect of costs, expenses and losses not deductible for tax purpose	37,886	39,130
Tax effect of income not taxable for tax purposes	(632,967)	(473,323)
Tax effect of tax losses and temporary differences not recognised	27,221	75,193
Utilisation of tax losses and temporary differences previously not recognised	(12,086)	(22,010)
Effect of different tax rates of subsidiaries	6,799	(38,042)
Others	1,949	11,145
	<u>2,908,940</u>	<u>2,828,402</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. EARNINGS PER SHARE

The calculation of earnings per share attributable to owners of the Company is based on the following data:

	2021	2020
Profit attributable to owners of the Company (in thousand)	10,854,116	10,038,135
Less: Profit attributable to other equity instrument holders of the Company (in thousand)	12,662	–
Profit attributable to ordinary shareholders of the Company (in thousand)	<u>10,841,454</u>	<u>10,038,135</u>
Weighted average number of ordinary shares in issue (in thousands of shares) (Note)	<u>7,621,088</u>	<u>7,621,088</u>
Earnings per share (RMB)		
– Basic	<u>1.42</u>	<u>1.32</u>
– Diluted	<u>1.42</u>	<u>1.32</u>

There were no potential dilutive ordinary shares outstanding for 2021 and 2020.

Note: The time-weighting factor of the weighted average number of shares in issue is the number of days that the shares are outstanding as a proportion of the total number of days in the period.



19. PROPERTY AND EQUIPMENT

	Properties and buildings RMB' 000	Electronic and communication equipment RMB' 000	Motor vehicles RMB' 000	Office equipment RMB' 000	Improvements RMB' 000	Total RMB' 000
Cost						
As at 1 January 2021	2,860,832	960,058	119,862	246,525	926,668	5,113,945
Additions	–	187,462	21,397	16,685	72,422	297,966
Transfers during the year	(19,420)	–	–	–	–	(19,420)
Disposals/write-off	(22,276)	(89,625)	(16,509)	(10,935)	(59,955)	(199,300)
Effect of foreign currency exchange differences	–	(1,197)	(41)	(124)	(759)	(2,121)
As at 31 December 2021	<u>2,819,136</u>	<u>1,056,698</u>	<u>124,709</u>	<u>252,151</u>	<u>938,376</u>	<u>5,191,070</u>
Accumulated depreciation and impairment						
As at 1 January 2021	487,688	688,158	85,682	149,658	538,562	1,949,748
Charge for the year	80,647	117,921	14,021	33,199	92,545	338,333
Transfers during the year	(1,183)	–	–	–	–	(1,183)
Disposals/write-off	–	(89,252)	(16,396)	(10,672)	(58,453)	(174,773)
Effect of foreign currency exchange differences	–	(999)	(31)	(108)	(649)	(1,787)
As at 31 December 2021	<u>567,152</u>	<u>715,828</u>	<u>83,276</u>	<u>172,077</u>	<u>572,005</u>	<u>2,110,338</u>
Net carrying amount						
As at 31 December 2021	<u>2,251,984</u>	<u>340,870</u>	<u>41,433</u>	<u>80,074</u>	<u>366,371</u>	<u>3,080,732</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. PROPERTY AND EQUIPMENT – *continued*

	Properties and buildings RMB' 000	Electronic and communication equipment RMB' 000	Motor vehicles RMB' 000	Office equipment RMB' 000	Improvements RMB' 000	Total RMB' 000
Cost						
As at 1 January 2020	1,543,949	932,797	122,618	248,976	957,363	3,805,703
Additions	708,090	87,719	7,501	17,264	49,939	870,513
Transfers during the year	629,853	–	–	–	–	629,853
Disposals/write-off	(21,060)	(57,777)	(10,067)	(19,450)	(78,877)	(187,231)
Effect of foreign currency exchange differences	–	(2,681)	(190)	(265)	(1,757)	(4,893)
As at 31 December 2020	<u>2,860,832</u>	<u>960,058</u>	<u>119,862</u>	<u>246,525</u>	<u>926,668</u>	<u>5,113,945</u>
Accumulated depreciation and impairment						
As at 1 January 2020	399,826	623,743	81,954	136,722	518,930	1,761,175
Charge for the year	107,612	123,943	13,935	32,369	84,865	362,724
Disposals/write-off	(19,750)	(57,394)	(10,046)	(19,214)	(63,704)	(170,108)
Effect of foreign currency exchange differences	–	(2,134)	(161)	(219)	(1,529)	(4,043)
As at 31 December 2020	<u>487,688</u>	<u>688,158</u>	<u>85,682</u>	<u>149,658</u>	<u>538,562</u>	<u>1,949,748</u>
Net carrying amount						
As at 31 December 2020	<u>2,373,144</u>	<u>271,900</u>	<u>34,180</u>	<u>96,867</u>	<u>388,106</u>	<u>3,164,197</u>

As at 31 December 2021, the Group's properties and buildings amounting to RMB349.39 million (31 December 2020: RMB376.52 million) included the leasehold interest in land as the leasehold payments cannot be allocated reliably between the land and building elements, and therefore the entire lease is accounted for as properties and buildings.

The Group is still in the process of applying for the title certificates for its properties and buildings with a carrying amount of RMB27.82 million as at 31 December 2021 (31 December 2020: RMB39.28 million) and GF Securities Tower with a carrying amount of RMB1,902.60 million. The Group expects that the aforesaid matter would not affect its rights over the assets or have no significant impact on its operation.



20. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and buildings used in its operations. The Group is restricted from assigning and subleasing the leased assets outside the Group.

(1) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Properties and buildings RMB' 000	Land use rights RMB' 000	Total RMB' 000
Cost			
As at 1 January 2021	1,052,794	1,325,949	2,378,743
Additions	495,376	3,000	498,376
Disposals/write-off	(189,174)	–	(189,174)
Transfers during the year	–	(4,799)	(4,799)
Effect of foreign currency exchange differences	(2,748)	–	(2,748)
As at 31 December 2021	<u>1,356,248</u>	<u>1,324,150</u>	<u>2,680,398</u>
Accumulated depreciation and impairment			
As at 1 January 2021	408,225	134,901	543,126
Charge for the year	284,984	30,616	315,600
Disposals/write-off	(152,150)	–	(152,150)
Transfers during the year	–	(1,392)	(1,392)
Effect of foreign currency exchange differences	(2,602)	–	(2,602)
As at 31 December 2021	<u>538,457</u>	<u>164,125</u>	<u>702,582</u>
Net carrying amount			
As at 31 December 2021	<u><u>817,791</u></u>	<u><u>1,160,025</u></u>	<u><u>1,977,816</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. LEASES – *continued*

The Group as a lessee – *continued*

(1) *Right-of-use assets – continued*

	Properties and buildings RMB' 000	Land use rights RMB' 000	Total RMB' 000
Cost			
As at 1 January 2020	936,860	231,065	1,167,925
Additions	255,854	940,841	1,196,695
Transfers during the year	–	154,043	154,043
Disposals/write-off	(133,420)	–	(133,420)
Effect of foreign currency exchange differences	(6,501)	–	(6,501)
As at 31 December 2020	<u>1,052,793</u>	<u>1,325,949</u>	<u>2,378,742</u>
Accumulated depreciation and impairment			
As at 1 January 2020	223,945	93,339	317,284
Charge for the year	280,337	41,562	321,899
Disposals/write-off	(91,476)	–	(91,476)
Effect of foreign currency exchange differences	(4,582)	–	(4,582)
As at 31 December 2020	<u>408,224</u>	<u>134,901</u>	<u>543,125</u>
Net carrying amount			
As at 31 December 2020	<u>644,569</u>	<u>1,191,048</u>	<u>1,835,617</u>

(2) *Lease liabilities*

The carrying amounts of the Group's lease liabilities are as follows:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Properties and buildings		
Current	278,111	217,522
Non-current	<u>563,647</u>	<u>435,539</u>
	<u>841,758</u>	<u>653,061</u>



20. LEASES – *continued*

The Group as a lessee – *continued*

(2) *Lease liabilities – continued*

As at 31 December 2021, the maturity analysis of the lease liabilities is as follows:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Within 1 year (inclusive)	21,674	30,485
After 1 year but within 5 years	735,891	459,103
After 5 years	<u>84,193</u>	<u>163,473</u>
Total	<u>841,758</u>	<u>653,061</u>

(3) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2021 RMB' 000	2020 RMB' 000
Interest on lease liabilities	34,883	32,537
Depreciation of right-of-use assets	315,600	321,899
Expense relating to short-term leases (included in other operating expenses)	<u>20,382</u>	<u>29,180</u>
Total amount recognised in profit or loss	<u>370,865</u>	<u>383,616</u>

As at 31 December 2021 and 31 December 2020, the future cash outflows relating to leases that have not yet commenced are insignificant.

21. INVESTMENT PROPERTIES

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
COST		
At the beginning of the year	92,866	92,865
Transfers during the year	24,218	–
At the end of the year	117,084	92,865
ACCUMULATED DEPRECIATION		
At the beginning of the year	50,468	47,366
Charge for the year	3,300	3,100
Transfers during the year	2,574	–
At the end of the year	56,342	50,466
NET CARRYING AMOUNT		
At the end of the year	60,742	42,399


22. GOODWILL

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
COST		
Unit A – securities brokerage branches	76,574	76,574
Unit B – GF Financial Markets (UK) Limited	2,040	2,040
At the beginning and the end of the year	<u>78,614</u>	<u>78,614</u>
ACCUMULATED IMPAIRMENT LOSSES		
Unit A – securities brokerage branches	76,574	76,574
Unit B – GF Financial Markets (UK) Limited	–	–
At the beginning and the end of the year	<u>76,574</u>	<u>76,574</u>
NET CARRYING AMOUNT		
Unit A – securities brokerage branches	–	–
Unit B – GF Financial Markets (UK) Limited	2,040	2,040
Unit B – effect of foreign currency exchange differences	82	144
At the end of the year	<u>2,122</u>	<u>2,184</u>

Unit A is the securities brokerage CGU acquired, the acquisition cost of which exceeds the fair value of the net identifiable assets. The commercial registration of these securities brokerage branches in the prior year was changed. As the CGU no longer generated future cash flows, Unit A was fully impaired in the prior year.

Unit B is the CGU of GF Financial Markets (UK) Limited by GF Futures (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Company. As at 31 December 2021, the management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

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23. OTHER INTANGIBLE ASSETS

	Trading seats	Computer software	Others	Total
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
COST				
As at 1 January 2020	76,523	776,112	1,968	854,603
Additions	–	94,230	–	94,230
Disposals/write-off	–	(12,416)	–	(12,416)
Effect of foreign currency exchange differences	(47)	(1,678)	–	(1,725)
As at 31 December 2020	<u>76,476</u>	<u>856,248</u>	<u>1,968</u>	<u>934,692</u>
Additions	–	173,907	9	173,916
Disposals/write-off	–	(1,777)	–	(1,777)
Effect of foreign currency exchange differences	(21)	(915)	–	(936)
As at 31 December 2021	<u>76,455</u>	<u>1,027,463</u>	<u>1,977</u>	<u>1,105,895</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT				
As at 1 January 2020	74,115	507,366	768	582,249
Charge for the year	–	102,773	–	102,773
Disposals/write-off	–	(12,199)	–	(12,199)
Effect of foreign currency exchange differences	–	(987)	–	(987)
Impairment loss recognised in the year	50	–	–	50
As at 31 December 2020	<u>74,165</u>	<u>596,953</u>	<u>768</u>	<u>671,886</u>
Charge for the year	–	106,261	–	106,261
Disposals/write-off	–	(1,727)	–	(1,727)
Effect of foreign currency exchange differences	–	(531)	–	(531)
Impairment loss recognised in the year	50	–	–	50
As at 31 December 2021	<u>74,215</u>	<u>700,956</u>	<u>768</u>	<u>775,939</u>
NET CARRYING AMOUNT				
As at 31 December 2021	<u>2,240</u>	<u>326,507</u>	<u>1,209</u>	<u>329,956</u>
As at 31 December 2020	<u>2,311</u>	<u>259,295</u>	<u>1,200</u>	<u>262,806</u>


24. INVESTMENTS IN ASSOCIATES

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Cost of unlisted investments in associates	2,624,483	2,119,005
Share of post-acquisition profits and other comprehensive income, net of dividends received	3,314,078	2,766,066
	5,938,561	4,885,071
Unlisted investment in an associate at fair value through profit or loss (Note)	8,202	45,266
	5,946,763	4,930,337

Note: The Group elects to measure its investment in GEJIA Corporation of RMB8.20 million (31 December 2020: RMB45.27 million) held through GF Beacon Capital Management Limited, a venture capital organisation and an indirectly wholly-owned subsidiary, at fair value through profit or loss as management measured the performance of this associate on a fair value basis as at 31 December 2021. The valuation determination, including valuation techniques, key inputs and fair value information, for the associate measured at fair value through profit or loss is set out in note 69.

Details of the Group's significant associate at the end of the year are as follows:

Name of associate	Place and date of establishment	Equity interest held by the Group		Principal activities
		As at 31.12.2021	As at 31.12.2020	
易方達基金管理有限公司 E Fund Management Co., Limited ("E Fund")	PRC 17 April 2001	22.65%	22.65%	Publicly offers securities investment fund management, fund sale, asset management for specific customers

Summarised financial information of the material associate

Summarised financial information of the Group's material associate is set out below. The summarised financial information below represents the amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. INVESTMENTS IN ASSOCIATES – *continued*

Summarised financial information of the material associate – *continued*

E Fund

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Total assets	23,069,287	18,434,196
Total liabilities	10,573,998	7,415,881
Net assets	12,495,289	11,018,315

	2021 RMB' 000	2020 RMB' 000
Total revenue	14,538,719	9,247,480
Profit for the year	4,534,593	2,749,521
Other comprehensive income/(expense)	(11,164)	(26,802)
Total comprehensive income	4,523,429	2,722,719
Dividend received from the associate during the year	690,000	422,745

The reconciliation of the above summarised financial information to the carrying amount of the interest in E Fund recognised in the consolidated financial statements:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Net assets attributable to equity holders of the associate	12,492,480	11,011,261
Proportion of the Group's ownership interest	22.65%	22.65%
Proportion of equity interest held by the Group	2,829,547	2,494,051
Other adjustments	(1,887)	(1,912)
Carrying amount of the Group's interest	2,827,660	2,492,139


24. INVESTMENTS IN ASSOCIATES – continued
Aggregate information of associates that are not individually material

	2021 RMB' 000	2020 RMB' 000
The Group's share of profits	319,373	210,161
The Group's share of other comprehensive income	246	(44,389)
The Group's share of total comprehensive income	<u>319,619</u>	<u>165,772</u>
	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Aggregate carrying amount of the Group's interests in these associates	<u>3,119,103</u>	<u>2,438,198</u>

25. INVESTMENTS IN JOINT VENTURES

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Cost of unlisted investments in joint ventures	2,380,720	2,341,664
Share of post-acquisition profits and other comprehensive income, net of dividends received	(70,863)	(29,852)
	<u>2,309,857</u>	<u>2,311,812</u>

Aggregate information of joint ventures that are not individually material

	2021 RMB' 000	2020 RMB' 000
The Group's share of profit	80,378	(7,876)
The Group's share of other comprehensive income	1,484	(35,300)
The Group's share of total comprehensive income	<u>81,862</u>	<u>(43,176)</u>

26. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities managed or held by the Group mainly include investment funds, asset management plans, etc. The objectives of the structured entities are to manage investors' assets and to collect management fees, and they are financed through the issue of investment products to investors. The interests held by the Group in these unconsolidated structured entities mainly involve the investments held by the Group or management fees and performance fees collected from managing structured entities.

At the end of 2021, the net assets of the unconsolidated structured entities which were sponsored and whose financial interest held by the Group were RMB758,288.45 million. The carrying amounts of the interests held by the Group were RMB15,887.84 million, which were classified as financial assets at fair value through profit or loss in the consolidated statement of financial position. The carrying amounts are approximate to the maximum loss exposure.

At the end of 2021, the carrying amounts of the interests held by the Group from unconsolidated structured entities sponsored by third parties were RMB48,464.53 million, of which RMB47,482.46 million were classified as financial assets at fair value through profit or loss, RMB933.67 million were classified as debt instruments at fair value through other comprehensive income and RMB48.40 million were classified as debt instruments at amortised cost in the consolidated statement of financial position. The carrying amounts are approximate to the maximum loss exposure.

During the year, the management fee income earned from the unconsolidated structured entities managed by the Group in which the Group held no interests was RMB7,106.36 million (2020: RMB4,716.59 million).



27. DEBT INSTRUMENTS AT AMORTISED COST

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Non-current		
Secured loan receivables	319,810	319,241
Less: Allowance for ECLs	261,031	202,631
	<u>58,779</u>	<u>116,610</u>
Analysed as:		
Unlisted	<u>58,779</u>	<u>116,610</u>
Current		
Debt securities	–	163,075
Entrusted loans	15,515	23,937
Secured loan receivables	42,120	168,919
Asset management schemes launched by securities companies	234,477	304,370
Less: Allowance for ECLs	246,203	314,596
	<u>45,909</u>	<u>345,705</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱ⁾	–	153,038
Unlisted	<u>45,909</u>	<u>192,667</u>
	<u>45,909</u>	<u>345,705</u>
Total	<u>104,688</u>	<u>462,315</u>

- (i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the “Listed outside Hong Kong” category.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. DEBT INSTRUMENTS AT AMORTISED COST – *continued*

Movements of allowance for ECLs during the year are as follows:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
At the beginning of the year	517,227	371,188
Charge for the year ⁽ⁱⁱ⁾	131,152	169,568
Reversal	(28,551)	(20,699)
Amounts written off as uncollectible	(91,364)	–
Effect of foreign currency exchange differences and others	(21,230)	(2,830)
At the end of the year	<u>507,234</u>	<u>517,227</u>

(ii) Charge for the year comprises the impairment losses from new and existing debt instruments at amortised cost, model/risk parameters adjustment, etc.

In the current year, the debt instruments at amortised cost were not transferred among stages.

As at 31 December 2021, the provision of debt instruments at amortised cost classified within Stage 1, Stage 2 and Stage 3 was nil, nil and RMB507.23 million, respectively (As at 31 December 2020: RMB0.05 million, nil and RMB517.18 million).

Debt securities are analysed by external rating as follows:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
External rating grade		
AAA	–	60,842
Unrated	–	102,184
Total	<u>–</u>	<u>163,026</u>



28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Current		
Debt securities	<u>110,475,096</u>	<u>120,182,381</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱ⁾	<u>46,398,597</u>	45,094,799
Unlisted	<u>64,076,499</u>	<u>75,087,582</u>
	<u>110,475,096</u>	<u>120,182,381</u>

- (i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

Movements of allowance for ECLs during the year are as follows:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
At the beginning of the year	608,233	453,749
Charge for the year ⁽ⁱⁱ⁾	231,087	266,374
Reversal	(273,269)	(107,796)
Amounts written off as uncollectible	(268,683)	–
Effect of foreign currency exchange differences	<u>(1,444)</u>	<u>(4,094)</u>
At the end of the year	<u>295,924</u>	<u>608,233</u>

- (ii) Charge for the year comprises the impairment losses from new and existing debt instruments at fair value through other comprehensive income, model/risk parameters adjustment, etc.

In the current year, the debt instruments at fair value through other comprehensive income were not transferred among stages.

As at 31 December 2021, the provision of debt instruments at fair value through other comprehensive income classified within Stage 1, Stage 2 and Stage 3 was RMB165.90 million, nil and RMB130.03 million, respectively (As at 31 December 2020: RMB218.98 million, RMB8.12 million and RMB381.13 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – continued

Debt securities are analysed by external rating as follows:

External rating grade	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
AAA	70,122,134	87,764,511
AA+ ~ A-	699,523	2,393,856
BBB+ ~ B-	108,018	–
CCC+ ~ C-	–	90,804
Unrated	<u>39,545,421</u>	<u>29,933,210</u>
Total	<u>110,475,096</u>	<u>120,182,381</u>

Fair values of the Group's debt instruments at fair value through other comprehensive income ("FVTOCI") are determined in the manner described in note 69.

29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
China Securities Finance Co., Ltd.	–	10,813,726
Jilin Aodong Pharmaceutical Group Co., Ltd.	799,982	713,357
Others	<u>72,810</u>	<u>97,995</u>
	<u>872,792</u>	<u>11,625,078</u>
Analysed as:		
Listed outside Hong Kong ⁽ⁱ⁾	799,982	713,357
Unlisted	<u>72,810</u>	<u>10,911,721</u>
	<u>872,792</u>	<u>11,625,078</u>

The above equity instruments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.



29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
– continued

During the year ended 31 December 2021, the Group received dividends in the amounts of RMB8.66 million from Jilin Aodong Pharmaceutical Group Co., Ltd.

As at 31 December 2021, the Group entered into securities lending arrangements with clients that resulted in the transfer of equity instruments at fair value through other comprehensive income with a total fair value of nil (31 December 2020: RMB0.08 million) to clients. These securities continued to be recognised as financial assets of the Group.

Fair values of the Group’s equity instruments at FVTOCI are determined in the manner described in note 69.

- (i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the “Listed outside Hong Kong” category.

30. ADVANCES TO CUSTOMERS

	As at 31.12.2021 RMB’ 000	As at 31.12.2020 RMB’ 000
Current		
Loans to margin clients	97,825,668	86,466,776
Restricted equity incentive financing	14,758	26,828
Less: Allowance for ECLs	609,658	340,788
Total	97,230,768	86,152,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. ADVANCES TO CUSTOMERS – *continued*

Movements of allowance for ECLs for impairment during the year are as follows:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
At the beginning of the year	340,788	276,170
Charge for the year ⁽ⁱ⁾	317,019	108,282
Reversal	(31,630)	(26,830)
Amounts written off as uncollectible	(8,762)	–
Effect of foreign currency exchange differences	(7,757)	(16,834)
At the end of the year	<u>609,658</u>	<u>340,788</u>

- (i) Charge for the year comprises the impairment losses from new and existing advances to customers, model/risk parameters adjustment, etc.

In the current year, advances to customers with gross carrying amount of RMB729.67 million was transferred from Stage 1 to Stage 3, and the corresponding impairment allowance was RMB1.09 million. Other transfers among stages were not significant.

As at 31 December 2021, the provision of advances to customers classified within Stage 1, Stage 2 and Stage 3 were RMB179.35 million, nil and RMB430.31 million, respectively (As at 31 December 2020: RMB54.09 million, nil and RMB286.70 million).

The credit facility limits to margin clients and restricted equity incentive financing clients are determined by the discounted market value of the collateral securities accepted by the Group.

Loans to margin clients and restricted equity incentive financing clients which are secured by the underlying pledged securities and cash collateral as disclosed in note 47 are interest-bearing. The Group maintains a list of approved stocks at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call where the customers have to make up the difference.

Advances to customers as at 31 December 2021 were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral with an undiscounted market value of approximately RMB344,336.45 million (31 December 2020: RMB307,739.82 million).

There were 16 impaired debts for the year ended 31 December 2021 (2020: 19), and after the force sale, the amount of uncollected principal and accrued interest was approximately RMB60.85 million (31 December 2020: RMB60.29 million) which had been reclassified as accounts receivable and was fully impaired.

The concentration of credit risk is limited due to the size and uncorrelated nature of the customer base.

As at 31 December 2021 and 2020, the overall advances to customers have been assessed for impairment using a forward-looking approach in accordance with the policies as set out in note 3.



31. ACCOUNTS RECEIVABLE

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Accounts receivable from/related to:		
Current		
Commission and fee	1,872,719	1,696,726
Brokers	972,903	189,516
Cash clients	191,898	477,336
Clearing house	106,883	204,405
Others	1,836,378	936,874
Less: Allowance for ECLs	185,532	200,573
	<u>4,795,249</u>	<u>3,304,284</u>

The following is an ageing analysis of accounts receivable net of allowance for ECLs:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Current		
Within 1 year	4,399,343	3,039,563
Between 1 and 2 years	297,918	151,550
Between 2 and 3 years	54,997	57,390
More than 3 years	42,991	55,781
	<u>4,795,249</u>	<u>3,304,284</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. ACCOUNTS RECEIVABLE – *continued*

Movements of allowance for ECLs during the year are as follows:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
At the beginning of the year	200,573	168,152
Charge for the year ⁽ⁱ⁾	8,005	46,618
Reversal	(17,778)	(10,748)
Amounts written off as uncollectible	(4,695)	(2,319)
Effect of foreign currency exchange differences	(573)	(1,130)
At the end of the year	<u>185,532</u>	<u>200,573</u>

- (i) Charge for the year comprises the impairment losses from new and existing accounts receivable, model/risk parameters adjustment, etc.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management and most of them were impaired as at 31 December 2021 and 2020.


32. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Non-current		
Investment prepayments	–	103,500
Receivables arising from sale and leaseback arrangements ⁽ⁱⁱ⁾	3,523	47,942
Other receivables	262,779	248,685
Less: Allowance for impairment	147	73,540
	<u>266,155</u>	<u>326,587</u>
Current		
Investment prepayments	205,000	–
Receivables arising from sale and leaseback arrangements ⁽ⁱⁱ⁾	75,969	221,157
Other receivables	558,764	509,985
Others	184,658	141,399
Less: Allowance for impairment	105,692	48,443
	<u>918,699</u>	<u>824,098</u>
Total	<u>1,184,854</u>	<u>1,150,685</u>

Movements of allowance for ECLs/allowance for impairment during the year are as follows:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
At the beginning of the year	121,983	41,195
Charge for the year ⁽ⁱ⁾	6,467	100,120
Reversal	(21,478)	(17,673)
Amounts written off as uncollectible	(1,081)	(1,530)
Effect of foreign currency exchange differences and others	(52)	(129)
At the end of the year	<u>105,839</u>	<u>121,983</u>

- (i) Charge for the year comprises the impairment losses from new and existing other accounts receivable, other receivables and prepayments, model/risk parameters adjustment, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS – *continued*

(ii) Minimum lease payments to be received and the corresponding present value are as follows:

	As at 31 December 2021		As at 31 December 2020	
	Minimum lease payments RMB' 000	Present value RMB' 000	Minimum lease payments RMB' 000	Present value RMB' 000
Within 1 year (including 1 year)	77,019	75,969	231,507	221,157
Between 1 and 2 years (including 2 years)	2,362	1,587	47,027	44,425
Between 2 and 3 years (including 3 years)	2,100	1,936	2,363	1,645
Between 3 and 4 years (including 4 years)	–	–	2,100	1,872
Total	81,481	79,492	282,997	269,099
Less: Unrealised finance income	1,989	N/A	13,898	N/A
Balance of receivables arising from sale and leaseback arrangements	79,492	79,492	269,099	269,099
Less: Allowance for ECLs	38,977	38,977	42,593	42,593
Receivables arising from sale and leaseback arrangements, net	40,515	40,515	226,506	226,506

As at 31 December 2021, the effective interest rates ranged from 6% to 13% (31 December 2020: 3% to 13%) per annum.

Movements of ECLs during the year are as follows:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
At the beginning of the year	42,593	16,199
Charge for the year ⁽ⁱⁱⁱ⁾	6,315	33,907
Reversal	(9,931)	(7,513)
At the end of the year	38,977	42,593

(iii) Charge for the year comprises the impairment losses from new and existing receivables arising from sale and leaseback arrangements, model/risk parameters adjustment, etc.


32. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS – continued

In the current year, transfers of receivables arising from sale and leaseback arrangements among stages were not significant.

As at 31 December 2021, the provision of receivables arising from sale and leaseback arrangements which were classified within Stage 1, Stage 2 and Stage 3 was RMB0.78 million, nil and RMB38.20 million, respectively (As at 31 December 2020: RMB5.68 million, RMB0.23 million and RMB36.68 million).

33. FINANCIAL LEASING RECEIVABLES

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Analysed as:		
Current assets	645,530	977,034
Non-current assets	88,782	558,599
	<u>734,312</u>	<u>1,535,633</u>

Minimum lease payments to be received and the corresponding present value are as follows:

	As at 31 December 2021		As at 31 December 2020	
	Minimum lease payments RMB' 000	Present value RMB' 000	Minimum lease payments RMB' 000	Present value RMB' 000
Within 1 year (including 1 year)	1,231,426	1,203,565	1,515,591	1,447,918
Between 1 and 2 years (including 2 years)	92,691	89,829	515,698	483,674
Between 2 and 3 years (including 3 years)	–	–	92,691	87,993
Total	1,324,117	1,293,394	2,123,980	2,019,585
Less: Unrealised finance income	30,723	N/A	104,395	N/A
Balance of financial leasing receivables	1,293,394	1,293,394	2,019,585	2,019,585
Less: Allowance for ECLs	559,082	559,082	483,952	483,952
Financial leasing receivables, net	<u>734,312</u>	<u>734,312</u>	<u>1,535,633</u>	<u>1,535,633</u>

As at 31 December 2021, the effective interest rate ranged from 5% to 17% (31 December 2020: 5% to 19%) per annum.

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33. FINANCIAL LEASING RECEIVABLES – *continued*

Movements of ECLs during the year are as follows:

	As at	As at
	31.12.2021	31.12.2020
	RMB' 000	RMB' 000
At the beginning of the year	483,952	203,489
Charge for the year ⁽ⁱ⁾	86,207	291,498
Reversal	(11,077)	(11,035)
At the end of the year	559,082	483,952

- (i) Charge for the year comprises the impairment losses from new and existing financial leasing receivables, model/risk parameters adjustment, etc.

In the current year, transfers of financial leasing receivables among stages were not significant.

As at 31 December 2021, the provision of financial leasing receivables which were classified within Stage 1, Stage 2 and Stage 3 was RMB2.98 million, RMB0.06 million and RMB556.04 million, respectively (As at 31 December 2020: RMB12.35 million, RMB12.98 million and RMB458.62 million).

34. AMOUNTS DUE FROM ASSOCIATES

As at 31 December 2021, amounts due from associates are unsecured, repayable on demand, and non-interest-bearing. The Group expected that the amounts due from associates can be recovered within one year from the end of the year.


35. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Non-current		
Analysed by collateral type:		
Stocks ⁽ⁱ⁾	1,457,150	1,873,550
Less: Allowance for ECLs	<u>45,727</u>	<u>15,003</u>
	<u>1,411,423</u>	<u>1,858,547</u>
Analysed by market:		
Stock exchanges	<u>1,411,423</u>	<u>1,858,547</u>
Current		
Analysed by collateral type:		
Stocks ⁽ⁱ⁾	11,482,678	10,645,240
Bonds ⁽ⁱⁱ⁾	7,863,504	4,500,970
Less: Allowance for ECLs	<u>765,373</u>	<u>210,908</u>
	<u>18,580,809</u>	<u>14,935,302</u>
Analysed by market:		
Stock exchanges	<u>10,727,309</u>	<u>10,454,334</u>
Interbank bond market	<u>7,296,819</u>	<u>4,414,896</u>
Over the counter	<u>556,681</u>	<u>66,072</u>
	<u>18,580,809</u>	<u>14,935,302</u>
Total	<u>19,992,232</u>	<u>16,793,849</u>

- (i) The financial assets (pledged by stocks) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price. The fair value of the stock collateral amounted to RMB46,719.34 million as at 31 December 2021 (31 December 2020: RMB46,211.98 million).
- (ii) The financial assets (pledged by bonds) held under resale agreements are mainly for inter-bank pledged resale agreements and inter-bank outright resale agreements, and the fair value of collateral collected and underlying assets transferred to Group amounted to RMB9,041.74 million as at 31 December 2021 (31 December 2020: RMB5,216.33 million).

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35. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS – *continued*

Movements of allowance for ECLs during the year are as follows:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
At the beginning of the year	225,911	161,502
Charge for the year ⁽ⁱⁱⁱ⁾	646,361	142,563
Reversal	(61,172)	(78,154)
At the end of the year	811,100	225,911

(iii) Charge for the year comprises the impairment losses from new and existing financial assets held under resale agreements, model/risk parameters adjustment, etc.

In the current year, the financial assets held under resale agreements with a gross carrying amount of RMB336.15 million was transferred from Stage 1 to Stage 3, and the corresponding impairment allowance was RMB1.46 million. Other transfers among stages were not significant.

As at 31 December 2021, the provision of financial assets held under resale agreements classified within Stage 1, Stage 2 and Stage 3 was RMB279.99 million, nil and RMB531.11 million (As at 31 December 2020: RMB63.58 million, nil and RMB162.33 million).



36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Non-current		
At fair value through profit or loss ⁽ⁱ⁾ :		
Listed equity securities	35,470	116,424
Unlisted equity instruments	7,180,796	6,264,212
Mutual funds	132,147	96,482
Convertible debt instruments	–	37,793
Convertible preference shares	138,843	45,672
Asset management schemes launched by securities companies ^{(ii),(iii)}	406,231	56,743
Other investments	143,357	–
	<u>8,036,844</u>	<u>6,617,326</u>
Analysed as:		
Listed outside Hong Kong ^(iv)	35,470	116,424
Unlisted ^(v)	<u>8,001,374</u>	<u>6,500,902</u>
	<u>8,036,844</u>	<u>6,617,326</u>
Current		
At fair value through profit or loss ⁽ⁱ⁾ :		
Debt securities	35,288,216	23,631,968
Listed equity securities	21,088,727	9,221,504
Unlisted equity instruments	702	555,745
Mutual funds	50,232,685	20,598,249
Convertible debt instruments	–	4,159
Asset management schemes launched by securities companies ^{(ii),(iii)}	1,731,752	3,196,361
Collective trusts	288,964	9,423
Wealth management products launched by banks ⁽ⁱⁱⁱ⁾	799,521	2,460,273
Redeemable convertible preference shares	–	226,892
Other investments ⁽ⁱⁱⁱ⁾	6,997,001	1,175,494
	<u>116,427,568</u>	<u>61,080,068</u>
Analysed as:		
Listed in Hong Kong	1,250,662	1,234,376
Listed outside Hong Kong ^(iv)	40,872,230	19,015,736
Unlisted ^(v)	<u>74,304,676</u>	<u>40,829,956</u>
	<u>116,427,568</u>	<u>61,080,068</u>
Total	<u>124,464,412</u>	<u>67,697,394</u>

36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

- (i) During the year, the Group classified the following financial assets at fair value through profit or loss: debt instruments that do not qualify for measurement at either amortised cost or FVTOCI; equity instruments that are held for trading, and equity instruments for which the Group has not elected to recognise fair value gains and losses through OCI.
- (ii) The Group has committed to hold some of its investments in asset management schemes managed by the Group for specified periods due to contractual or regulatory requirements, the amount of which was RMB400.64 million as at 31 December 2021 (31 December 2020: RMB658.29 million).
- (iii) The investments represent investments in asset management schemes and other wealth management products launched and managed by the Group and other financial institutions. The Group's interests in these asset management schemes managed by the Group are not individually significant.
- (iv) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.
- (v) Unlisted securities mainly comprise unlisted funds, debt securities traded on the Interbank Bond Market, unlisted equity instruments, convertible debt instruments, exchangeable debt instruments, redeemable convertible preference shares and asset management schemes and other wealth management products launched by financial institutions.

As at 31 December 2021, the listed equity securities of the Group included restricted shares of approximately RMB3,977.00 million (31 December 2020: RMB2,979.83 million). The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of them within the specified period.

As at 31 December 2021, the Group has entered into securities lending arrangements with clients that resulted in the transfer of financial assets at fair value through profit or loss ("FVTPL") (including equity securities and exchange traded funds) with a total fair value of RMB664.15 million (31 December 2020: RMB377.16 million) to clients. These securities continued to be recognised as financial assets of the Group.

Fair value of the Group's financial assets at fair value through profit or loss is determined in the manner described in note 69.

37. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31.12.2021			As at 31.12.2020		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Interest rate derivatives						
– Interest rate swaps	386,685,000	674	1,574	169,480,000	693	275
– Standard bond forward	645,010	–	–	85,637	–	–
– Interest rate options	3,000,000	1,002	174	1,000,000	110	110
– Treasury bond futures ⁽ⁱ⁾	5,213,609	–	4,728	2,964,029	–	511
Currency derivatives						
– Currency swaps	232,844	272	892	–	–	–
– Currency forward	313,487	4,347	402	–	–	–
– Currency futures	782,288	9,018	–	–	–	–
Equity derivatives						
– Stock index futures ⁽ⁱⁱ⁾	17,423,444	16,506	33	9,794,503	11,129	1,884
– Exchange-traded options	6,103,153	53,082	88,816	8,065,030	110,403	89,823
– Over-the-counter equity derivatives transactions	29,575,522	469,687	643,548	5,772,642	35,775	85,996
Credit derivatives						
– Credit default swaps	–	–	–	40,000	174	–
– Credit risk mitigation warrants	20,000	–	–	34,000	466	–
Others						
– Commodity futures ⁽ⁱ⁾	5,173,976	–	–	2,758,992	–	–
– Others	8,346,950	9,905	240,932	4,953,019	44,616	36,388
Total	463,515,283	564,493	981,099	204,947,852	203,366	214,987

- (i) Treasury bond futures and commodity futures: under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC in treasury bond futures and commodity futures were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2021 and 31 December 2020. Accordingly, the net position of the treasury bond future contracts and commodity future contracts was nil at the year-end dates. Balances as at 31 December 2021 were the unrealised profits or losses from treasury bond futures in overseas areas.

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37. DERIVATIVE FINANCIAL INSTRUMENTS – *continued*

Details of the Group's treasury bond futures and commodity futures are set out below:

	As at 31 December			
	2021		2020	
	Nominal amounts RMB' 000	Fair value RMB' 000	Nominal amounts RMB' 000	Fair value RMB' 000
Treasury bond futures	5,213,609	(4,114)	2,964,029	(2,914)
Commodity futures	5,173,976	11,806	2,758,992	2,964
Less: Settlement		12,420		561
Net position of treasury bond futures contracts and commodity futures contracts		<u>(4,728)</u>		<u>(511)</u>

- (ii) Stock index futures: under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC stock index futures (including the "PRC SIF", "PRC SIH" and "PRC SIC") were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2021 and 31 December 2020. Accordingly, the net position of the PRC SIF, PRC SIH and PRC SIC contracts was nil at the year end date. Balances as at 31 December 2021 were the unrealised profits and losses from stock index futures in Hong Kong or other overseas areas.

Details of the Group's PRC stock index futures are set out below:

	As at 31 December			
	2021		2020	
	Nominal amounts RMB' 000	Fair value RMB' 000	Nominal amounts RMB' 000	Fair value RMB' 000
PRC SIF	7,390,303	30,062	4,541,539	(89,923)
PRC SIH	4,185,874	41,634	2,083,904	(16,518)
PRC SIC	4,618,490	(18,480)	2,439,001	(16,631)
Less: Settlement		53,216		(123,072)
Net position of PRC stock index future contracts		<u>-</u>		<u>-</u>



38. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Deposits with stock exchanges:		
Shanghai Stock Exchange	768,645	596,037
Shenzhen Stock Exchange	335,048	310,027
Hong Kong Stock Exchange	83,217	43,532
Deposits with futures and commodity exchanges:		
Hong Kong Futures Exchange Limited	211,363	150,068
Shanghai Futures Exchange	1,665,831	1,242,978
Zhengzhou Commodity Exchange	624,475	482,718
Dalian Commodity Exchange	1,583,867	1,113,296
China Financial Futures Exchange	4,858,568	4,300,843
Intercontinental Exchange, Inc.	270,453	194,953
China Securities Finance Corporation Limited	619,667	1,173,945
Shanghai Clearing House	147,433	150,924
Guarantee fund paid to China Financial Futures Exchange	67,011	37,647
LME Clear Limited	344,111	328,084
Brokers	831,185	821,772
Shanghai International Energy Exchange Co., Ltd.	76,632	85,658
Others	7,607	13,064
Total	12,495,113	11,045,546

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39. CLEARING SETTLEMENT FUNDS

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Clearing settlement funds held with clearing houses for:		
House accounts	4,547,355	3,810,360
Clients	23,147,026	16,705,045
	<u>27,694,381</u>	<u>20,515,405</u>

These clearing settlement funds are held by the clearing houses for the Group and these balances bear interest at prevailing market interest rates.

40. BANK BALANCES

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Bank balances:		
House accounts	21,815,947	22,296,487
Cash held on behalf of customers ⁽ⁱ⁾	97,496,873	80,469,717
	<u>119,312,820</u>	<u>102,766,204</u>

Bank balances comprise term and demand deposits at banks which bear interest at the prevailing market rates.

As at 31 December 2021, the Group's bank balances of RMB4,303.88 million were restricted.

- (i) The Group maintains accounts with banks to hold customers' deposits arising from normal business transactions. The Group had recognised the corresponding amount in accounts payable to brokerage clients (note 47).



41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Bank balances – house accounts	16,737,019	16,099,816
Clearing settlement funds – house accounts	4,544,257	3,807,389
	<u>21,281,276</u>	<u>19,907,205</u>

42. DEFERRED TAX

For presentation purposes, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Deferred tax assets	2,118,832	1,323,840
Deferred tax liabilities	(741,364)	(418,323)
	<u>1,377,468</u>	<u>905,517</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. DEFERRED TAX – *continued*

The following are the major deferred tax assets/liabilities recognised and movements thereon during the current and prior years:

	Financial instruments at fair value through profit or loss/ derivatives RMB' 000	Financial instruments at fair value through other comprehensive income RMB' 000	Accrued staff cost RMB' 000	Allowance for impairment losses RMB' 000	Properties and equipment RMB' 000	Others RMB' 000	Total RMB' 000
At 1 January 2020	(57,592)	(237,932)	790,019	208,994	(17,166)	90,937	777,260
Charge/(credit) to profit or loss (Note 17)	(227,745)	26,964	223,535	166,406	984	(80,826)	109,318
Charge/(credit) to other comprehensive income	1,947	(6,583)	-	57	-	23,518	18,939
At 31 December 2020	<u>(283,390)</u>	<u>(217,551)</u>	<u>1,013,554</u>	<u>375,457</u>	<u>(16,182)</u>	<u>33,629</u>	<u>905,517</u>
Charge/(credit) to profit or loss (Note 17)	(38,125)	(70,250)	461,669	231,455	984	(102,677)	483,056
Charge/(credit) to other comprehensive income	378	(36,787)	-	(3)	-	(314)	(36,726)
Transferred out	25,545	-	-	-	-	76	25,621
At 31 December 2021	<u>(295,592)</u>	<u>(324,588)</u>	<u>1,475,223</u>	<u>606,909</u>	<u>(15,198)</u>	<u>(69,286)</u>	<u>1,377,468</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.

As at 31 December 2021, the Group has unused tax losses of approximately RMB1,349.95 million (31 December 2020: RMB1,638.99 million) available for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. Most of these tax losses may be carried forward indefinitely.



43. BORROWINGS

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Secured short-term bank loans ⁽ⁱ⁾	622,814	160,439
Unsecured short-term bank loans ⁽ⁱⁱ⁾	293,731	2,392,347
Total	916,545	2,552,786

- (i) GF Securities (Hong Kong) Brokerage Limited pledges its margin financing clients' securities to banks in order to get credit facilities which allow it to get revolving loans from the banks. As at 31 December 2021, the total market value of securities pledged amounted to RMB3,048.33 million (31 December 2020: RMB2,986.56 million) and the credit facilities utilised amounted to RMB622.80 million (31 December 2020: RMB148.42 million) which bear interest rates of HIBOR+0.8% to HIBOR+0.95% or FDTRMID+0.9% or cost of fund rate+1.10% (31 December 2020: cost of fund rate of lending bank+1.10%) per annum.
- (ii) As at 31 December 2021, the Group's unsecured short-term bank loans bear fixed interest rate of 5.20% (31 December 2020: 4.26% to 5.66%), or variable interest rate of LIBOR+0.75% (31 December 2020: LIBOR+0.65% to LIBOR+2.20% or HIBOR+1.30%).

The principal amount of the Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HKD RMB' 000	USD RMB' 000
As at 31 December 2021	502,824	242,277
As at 31 December 2020	25,248	1,993,357

44. SHORT-TERM FINANCING PAYABLES

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Unsecured and unguaranteed:		
Short-term financing bills (Note 1)	18,104,558	3,016,008
Corporate bonds	–	11,774,902
Structured notes (Note 2)	9,772,202	20,217,269
Total	<u>27,876,760</u>	<u>35,008,179</u>

Note 1: Short-term financing bills

The details of short-term financing bills as at 31 December 2021 are as follows:

Name	Issue amount RMB' 000	Value date	Maturity date	Coupon rate
21GFCP004	3,000,000	08/09/2021	08/03/2022	2.50%
21GFCP005	3,000,000	24/09/2021	24/03/2022	2.62%
21GFCP006	3,000,000	21/10/2021	21/10/2022	2.90%
21GFCP007	3,000,000	25/10/2021	25/04/2022	2.77%
21GFCP008	3,000,000	29/10/2021	29/04/2022	2.73%
21GFCP009	3,000,000	08/11/2021	08/11/2022	2.84%

Note 2: Structured notes

The amount represents principals received from investors for subscription of structured notes issued by the Company and accrued interest. The structured notes bear interest at a fixed or variable rate linked to a certain stock index. The principal and interest are repayable upon maturity within one year. The structured notes with a variable rate contain non-closely related embedded derivatives as their returns are linked to the fluctuation of the stock index. For those embedded derivatives, they are accounted for in the consolidated financial statements after being bifurcated from their respective host contracts.


45. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Non-current		
Designated at fair value through profit or loss:		
Structured notes	—	123,161
	<u>—</u>	<u>123,161</u>
Analysed as:		
Unlisted	<u>—</u>	<u>123,161</u>
Current		
At fair value through profit or loss:		
Equity return swaps	—	562,911
Bonds	207,121	77,440
Designated at fair value through profit or loss:		
Structured notes	<u>8,370,561</u>	<u>2,815,903</u>
	<u>8,577,682</u>	<u>3,456,254</u>
Analysed as:		
Unlisted	<u>8,577,682</u>	<u>3,456,254</u>
Total	<u>8,577,682</u>	<u>3,579,415</u>

As at 31 December 2021, the fair value of the Group's financial liabilities designated at fair value through profit or loss had no significant change related to the changes in the credit risk of the Group.

Fair values of the Group's financial liabilities at fair value through profit or loss are determined in the manner described in note 69.

46. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at	As at
	31.12.2021	31.12.2020
	RMB'000	RMB'000
Due to banks and other financial institutions	<u>11,617,488</u>	<u>6,121,286</u>

As at 31 December 2021, the effective interest rates on amounts due to banks ranged from 2.43% to 3.10% (31 December 2020: 2.36% to 3.20%) per annum. Included in the balance was an amount of RMB1,799.65 million (31 December 2020: RMB2,110.62 million) which was secured by the Group's securities amounting to RMB2,054.31 million as at 31 December 2021 (31 December 2020: RMB2,496.50 million).

47. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excessive amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of these businesses. As a result, no ageing analysis is disclosed.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group respectively, and are bear interest at the prevailing market interest rate.

As at 31 December 2021, accounts payable to brokerage clients of approximately RMB9,141.42 million (31 December 2020: RMB7,849.05 million) were related to cash collateral received from clients for margin financing and securities lending arrangements.



48. ACCRUED STAFF COSTS

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Non-current		
Other long-term benefits	<u>4,305,899</u>	<u>3,140,364</u>
Current		
Salaries, bonuses and allowances	5,529,592	4,816,200
Short-term social welfares	967	947
Defined contribution plans ⁽ⁱ⁾	194,935	108,906
Others	<u>87,086</u>	<u>64,003</u>
	<u>5,812,580</u>	<u>4,990,056</u>
Total	<u>10,118,479</u>	<u>8,130,420</u>

- (i) The defined contribution plans refer to the social pension insurance plan and the unemployment insurance plan required by the government, and the annuity schemes launched by the Group. The Group participates in the social pension insurance plan and unemployment insurance plan pursuant to pertinent regulations and contributes to the funds set up by the Government on a monthly basis. Besides, the Group sets up the annuity schemes and Mandatory Provident Fund Scheme for qualified employees in Mainland China and Hong Kong and contributes to the schemes which are managed by third parties on an annual basis or on a monthly basis. Except for the amounts contributed, the Group will assume no further payment obligations. The amounts accrued have been paid in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	As at 31.12.2021 RMB'000	As at 31.12.2020 RMB'000
Non-current		
Deposits of financial leasing business	<u>20,879</u>	<u>49,510</u>
Current		
Interest payable	59,874	70,784
Payables for open-ended fund clearing and other clearing	970,500	1,898,746
Payable for property and equipment purchases and construction expenditure	323,986	450,018
Other taxes	635,643	536,650
Commission payable and related accrued expenses for the sale of funds	1,271,458	681,840
Accrued expenses	246,391	200,602
Futures risk reserve	176,575	154,115
Block trade deposits	100,000	100,000
Fund risk reserve	80,816	224,357
Payables for securities investor protection fund and futures investor protection fund	72,312	48,673
Business margin payable to clients	5,754,641	339,595
Others ⁽ⁱ⁾	<u>2,899,804</u>	<u>950,553</u>
	<u>12,592,000</u>	<u>5,655,933</u>
Total	<u><u>12,612,879</u></u>	<u><u>5,705,443</u></u>

- (i) Others represent primarily other accounts payable and accrued operating expenses which are non-interest-bearing and are repayable within one year.


50. PROVISIONS

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
At the beginning of the year	415,058	447,521
Addition	2,896	1,490
Reduction	12,082	33,953
At the end of the year (Note)	<u>405,872</u>	<u>415,058</u>

Note: As at 31 December 2021, the Group recognised a provision of USD58.27 million (31 December 2020: USD58.27 million), approximately RMB371.53 million, in connection with a potential litigation that may arise relating to the matters of GTEC Pandion Multi-Strategy Fund SP as mentioned in the 2019 annual report.

51. OTHER LIABILITIES

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Non-current		
Third-party interests in consolidated structured entities	<u>1,115,223</u>	811,882
Current		
Third-party interests in consolidated structured entities	<u>1,130,498</u>	1,174,030
Total	<u>2,245,721</u>	<u>1,985,912</u>

Third-party interests in consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities which are reflected as liabilities since there is a contractual obligation for the Group to repurchase or redeem the unit for cash.

The realisation of third-party interests in consolidated structured entities cannot be predicted with accuracy since these interests represent the interests of third-party unit holders in consolidated structured entities held to back investment contract liabilities and are subject to market risk and the actions of third-party investors.

52. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31.12.2021 RMB'000	As at 31.12.2020 RMB'000
Current		
Analysed by collateral type:		
Bonds ⁽ⁱ⁾	73,317,348	85,278,320
Gold ⁽ⁱⁱ⁾	7,383,843	8,773,992
Others	529,009	559,309
	<u>81,230,200</u>	<u>94,611,621</u>
Analysed by market:		
Stock exchanges	35,203,126	34,182,641
Interbank bond market	37,091,365	49,696,511
Shanghai gold exchange	7,430,376	8,773,992
Over the counter	1,505,333	1,958,477
	<u>81,230,200</u>	<u>94,611,621</u>
Total	<u>81,230,200</u>	<u>94,611,621</u>

- (i) As at 31 December 2021, included in the balance was an amount of RMB11,724.10 million (31 December 2020: RMB8,467.60 million) which was secured by bonds borrowed from the interbank bond market, which were not recognised in the consolidated financial statements as it is the banks rather than the Group that are subject to all the risks and returns of the bonds, and the fair value of such bonds was RMB12,550.04 million (31 December 2020: RMB9,589.23 million).
- (ii) As at 31 December 2021, the fair value of gold transferred, which was from leasing and is not recognised in the consolidated financial statements, was RMB7,346.15 million (31 December 2020: RMB9,018.36 million).

Repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities, and the carrying amount of assets transferred is disclosed in note 61.



53. BONDS PAYABLE

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Non-current		
Corporate bonds (Note 1)	71,561,984	53,671,530
Subordinated bonds (Note 1)	4,500,000	8,500,000
Structured notes (Note 2)	318,112	571,683
Financial bond	—	4,997,404
	<u>76,380,096</u>	<u>67,740,617</u>
Current		
Corporate bonds (Note 1)	51,681,873	16,917,977
Subordinated bonds (Note 1)	4,291,830	4,921,220
Structured notes (Note 2)	1,249,507	89,493
Financial bond (Note 1)	5,079,626	80,556
	<u>62,302,836</u>	<u>22,009,246</u>
Total	<u>138,682,932</u>	<u>89,749,863</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

53. BONDS PAYABLE – *continued*

Note 1: Details of the bonds as of 31 December 2021 are as follows:

Name	Issue amount '000	Value date	Maturity date	Coupon rate
Corporate bonds				
13GF03	8,983,700	17/06/2013	17/06/2023	5.10%
19GF01	3,000,000	01/02/2019	01/02/2022	3.90%
19GF02	4,000,000	21/02/2019	21/02/2022	4.00%
19GF03	7,737,600	01/03/2019	01/03/2022	3.70%
19GF05	3,200,000	15/03/2019	15/03/2022	4.00%
19GF06	3,300,000	24/05/2019	24/05/2022	4.10%
20GF01	5,000,000	20/01/2020	20/01/2023	3.65%
20GF02	5,800,000	16/03/2020	16/03/2023	3.20%
20GF04	3,699,908	07/09/2020	07/09/2023	4.00%
20GF08	1,399,965	09/11/2020	09/11/2022	3.83%
20GF11	1,299,968	01/12/2020	01/12/2022	4.00%
20GF13	2,999,925	18/12/2020	07/01/2022	3.70%
20GF14	3,199,920	28/12/2020	27/01/2022	3.65%
21GF01	3,699,908	14/01/2021	11/02/2022	3.43%
21GF02	2,999,925	27/01/2021	23/02/2022	3.50%
21GF03	4,495,500	08/06/2021	08/06/2024	3.40%
21GF04	999,000	08/06/2021	08/06/2026	3.68%
21GF05	2,997,000	23/07/2021	23/07/2024	3.13%
21GF06	4,495,500	23/07/2021	23/07/2026	3.45%
21GF07	1,498,500	23/07/2021	23/07/2031	3.77%
21GF08	4,595,400	13/08/2021	07/09/2022	2.69%
21GF09	3,396,600	13/08/2021	13/08/2023	2.90%
21GF10	2,997,000	16/09/2021	16/09/2024	3.10%
21GF11	1,998,000	16/09/2021	16/09/2026	3.50%
21GF12	1,998,000	16/09/2021	16/09/2031	3.90%
21GF13	2,997,000	15/10/2021	15/10/2024	3.30%
21GF16	4,195,800	29/10/2021	29/10/2023	3.10%
21GF17	4,795,200	29/10/2021	29/10/2024	3.30%
21GF19	3,996,000	17/11/2021	17/11/2024	3.15%
21GF20	3,496,500	17/11/2021	17/11/2026	3.50%
21GF21	999,000	17/11/2021	17/11/2031	3.85%
21GF22	3,699,908	23/11/2021	16/12/2022	2.85%
21GF24	4,199,895	01/12/2021	24/12/2022	2.84%
21GF25	799,980	01/12/2021	25/05/2023	3.05%
GF HOLD B2409	USD 298,441	15/09/2021	15/09/2024	1.125%
Subordinated bonds				
19GFC1	4,000,000	21/01/2019	21/01/2022	4.15%
20GFC1	2,000,000	03/03/2020	03/03/2023	3.35%
20GFC2	2,500,000	03/03/2020	03/03/2025	3.80%
Financial bond				
19GFF01	4,995,000	23/07/2019	23/07/2022	3.63%


53. BONDS PAYABLE – continued

Note 2: Structured notes

The amounts represents principal received from investors for subscription of structured notes issued by the Company and accrued interest. As at 31 December 2021, the undue structured notes bear interest at fixed interest rates ranging from 2.70% to 3.95% per annum (31 December 2020: 2.70% to 4.00%). Structured notes maturing within one year as at 31 December 2021 amounting to RMB1,249.51 million (31 December 2020: RMB89.49 million) are classified under current liabilities.

54. LONG-TERM LOANS

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Non-current		
Unsecured long-term loans ⁽ⁱ⁾	22,879	55,419
Secured long-term loans ⁽ⁱⁱ⁾	40,948	309,710
	<u>63,827</u>	<u>365,129</u>
Current		
Unsecured long-term loans ⁽ⁱ⁾	22,813	1,178,342
Secured long-term loans ⁽ⁱⁱ⁾	252,035	639,598
	<u>274,848</u>	<u>1,817,940</u>
Total	<u>338,675</u>	<u>2,183,069</u>

- (i) As at 31 December 2021, the syndicated loan amount is nil (31 December 2020: RMB1,014.05 million carried at variable interest rate of LIBOR+1.48% per annum), and the interest is repayable monthly and the principal is repayable within one year. The remaining unsecured loans amounted to RMB45.69 million (31 December 2020: RMB219.71 million). The loans bear interest at fixed interest rates of 7.09% (31 December 2020: 4.85% to 7.25%) per annum, with the principal amounting to RMB21.34 million (31 December 2020: RMB161.90 million) due within one year, the principal amounting to RMB22.88 million (31 December 2020: RMB32.54 million) due within two years, and the remaining due within three years.
- (ii) As at 31 December 2021, the long-term loans amounting to RMB292.98 million (31 December 2020: RMB949.31 million) are secured by rights and interests in financial leasing receivables. The loans bear interest at fixed interest rates ranging from 4.80% to 7.13% (31 December 2020: 4.75% to 7.36%) per annum, with the principal amounting to RMB248.25 million (31 December 2020: RMB630.75 million) due within one year, the principal amounting to RMB40.95 million (31 December 2020: RMB268.76 million) due within two years, and the remaining due within three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

55. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 31.12.2021	As at 31.12.2020
Number of registered, issued and fully paid ordinary shares of RMB1 each (in thousands):		
Domestic shares	5,919,291	5,919,291
H shares	1,701,797	1,701,797
	<u>7,621,088</u>	<u>7,621,088</u>
Share capital (in RMB' 000)		
Domestic shares	5,919,291	5,919,291
H shares	1,701,797	1,701,797
Total	<u>7,621,088</u>	<u>7,621,088</u>

56. OTHER EQUITY INSTRUMENTS

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Perpetual subordinated bonds	<u>1,000,000</u>	<u>—</u>

As approved by the CSRC, on 6 September 2021, the Company completed the non-public issuance of RMB1 billion perpetual subordinated bonds ("21 GF Y1") at par, each face value was RMB100, with a coupon rate of 3.95%. The Company has an option to redeem the bonds at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards.

The coupon rate for the perpetual subordinated bonds is fixed in the first 5 years. If the Company does not use the right of redemption, the coupon rate will be repriced every 5 years from 6th year. The coupon rate will be repriced as the sum of the current basis rate, the initial spread, and an additional 300 basis points. The current basis rate is defined as the average yields of 5 years treasury bonds from the interbank fixed rate bond yield curve published on the China Bond website 5 working days before the interest repricing date.


56. OTHER EQUITY INSTRUMENTS – continued

The issuer has the right to defer interest payments, unless “Mandatory interest payments events” have been triggered, so that at each interest payment date, the issuer may choose to defer the current interest payment, as well as any previously deferred interest payments and accreted interests thereon, to the next payment date, without being subject to 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 12 months before the interest payment date. When the mandatory interest payment events occur, the Company can not defer the current interest as well as any previously.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the statement of financial position of the Group and the Company.

57. INVESTMENT REVALUATION RESERVE

The movements of the investment revaluation reserve of the Group are set out below:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
At the beginning of the year	1,048,326	1,139,901
Equity instruments at fair value through other comprehensive income		
Revaluation gains on equity instruments at fair value through other comprehensive income	(439,857)	239,024
Income tax impact	108,101	(59,563)
Debt instruments at fair value through other comprehensive income		
Net fair value changes during the year	911,625	(144,284)
Reclassification to profit or loss	(289,025)	(230,824)
Changes in allowance for expected credit losses	(42,182)	158,578
Income tax impact	(144,888)	53,051
Share of fair value gains/(losses) on financial assets of associates and joint ventures	1,411	(107,557)
At the end of the year	<u>1,153,511</u>	<u>1,048,326</u>

58. GENERAL RESERVES

General reserves comprise the statutory reserve, discretionary reserve, reserve for general risk and transaction risk reserve.

Pursuant to the Company Law of the PRC, in accordance with the Company's articles of association, 10% of the net profit of the Company, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for expansion of business scale and capitalisation. If the statutory reserve is capitalised into share capital, the remaining reserve is required to be no less than 25% of the Company's registered capital before capitalisation.

The Company may also make appropriations from its net profit to the discretionary reserve provided the appropriation is approved by a resolution of the shareholders.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit before distribution, determined in accordance with PRC GAAP, to the reserve for general risk; and in accordance with *Interim Measures for the Supervision and Administration of Risk Reserve of the Public Offering of Securities Investment Fund*, the Company, as a custodian of securities investment fund, is required to appropriate no less than 2.5% of fund custodian revenue as reserve for general risk.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit before distribution, determined in accordance with PRC GAAP, to the transaction risk reserve.

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to the statutory reserve, the reserve for general risk and the transaction risk reserve.

The movements of general reserves of the Group are set out below:

As at 31 December 2021

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Statutory reserve	6,909,370	869,168	7,778,538
Discretionary reserve	169,428	–	169,428
Reserve for general risk	9,508,423	1,464,915	10,973,338
Transaction risk reserve	7,695,748	903,038	8,598,786
	<u>24,282,969</u>	<u>3,237,121</u>	<u>27,520,090</u>



58. GENERAL RESERVES – *continued*

As at 31 December 2020

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Statutory reserve	6,175,331	734,039	6,909,370
Discretionary reserve	169,428	–	169,428
Reserve for general risk	8,007,830	1,500,593	9,508,423
Transaction risk reserve	6,856,657	839,091	7,695,748
	<u>21,209,246</u>	<u>3,073,723</u>	<u>24,282,969</u>

59. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
At the beginning of the year	33,952,582	29,655,551
Profit for the year	10,854,116	10,038,135
Appropriation to general reserve	(3,237,121)	(3,073,723)
Dividends recognised as distribution	(3,429,489)	(2,667,381)
At the end of the year	<u>38,140,088</u>	<u>33,952,582</u>

60. DIVIDENDS

	As at	As at
	31.12.2021	31.12.2020
	RMB'000	RMB'000
Dividends recognised as distribution	<u>3,429,489</u>	<u>2,667,381</u>

Pursuant to the resolution the shareholders' meeting held on 13 May 2021, the Company distributed cash dividends of RMB4.5 for every 10 shares (tax included) based on 7.62 billion shares held amounting to RMB3.43 billion in total for the year ended 31 December 2020.

Pursuant to the resolution the shareholders' meeting held on 9 June 2020, the Company distributed cash dividends of RMB3.5 for every 10 shares (tax included) based on 7.62 billion shares held amounting to RMB2.67 billion in total for the year ended 31 December 2019.

61. TRANSFER OF FINANCIAL ASSETS

Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells securities, rights and interests in financial leasing receivables (collectively as "the transferred assets") and simultaneously agrees to repurchase them (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of the transferred assets. The transferred assets are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of the transferred assets.

The proceeds from selling the transferred assets are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights of the cash flows of the transferred assets, it does not have the ability to use the transferred assets during the term of the arrangements.


61. TRANSFER OF FINANCIAL ASSETS – continued
Repurchase agreements – continued

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2021

	Financial assets at fair value through profit or loss RMB' 000	Financial assets at amortised cost RMB' 000	Debt instruments at fair value through other comprehensive income RMB' 000	Financial assets held under resale arrangements RMB' 000	Total RMB' 000
Carrying amount of transferred assets	8,776,343	–	57,915,030	783,081	67,474,454
Carrying amount of associated liabilities	7,804,196	–	53,727,169	544,360	62,075,725
Net position	<u>972,147</u>	<u>–</u>	<u>4,187,861</u>	<u>238,721</u>	<u>5,398,729</u>

As at 31 December 2020

	Financial assets at fair value through profit or loss RMB' 000	Financial assets at amortised cost RMB' 000	Debt instruments at fair value through other comprehensive income RMB' 000	Financial assets held under resale arrangements RMB' 000	Total RMB' 000
Carrying amount of transferred assets	10,021,800	153,038	73,281,122	557,839	84,013,799
Carrying amount of associated liabilities	8,716,333	113,985	68,077,944	462,121	77,370,383
Net position	<u>1,305,467</u>	<u>39,053</u>	<u>5,203,178</u>	<u>95,718</u>	<u>6,643,416</u>

61. TRANSFER OF FINANCIAL ASSETS – *continued*

Securities lending arrangements

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss with a carrying amount totalling RMB664.15 million as at 31 December 2021 (31 December 2020: RMB377.16 million), equity instruments at fair value through other comprehensive income with a carrying amount totalling RMB0 million as at 31 December 2021 (31 December 2020: RMB0.08 million), which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates and the maximum covered period is 180 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated financial statements.

Securities borrowing from banks

As at 31 December 2021 and 2020, the type and fair values of securities borrowed through the inter-bank securities market trading platform and the Shanghai Stock Exchange fixed income trading platform are as follows:

Type of securities	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Government bonds	8,999,958	6,475,208
Financial bond	1,991,434	916,991
Local government bonds	1,943,436	2,524,052
	<u>12,934,828</u>	<u>9,916,251</u>

As at 31 December 2021 and 2020, the above securities were due to return to banks before 15 March 2022 and 8 July 2021, respectively.



61. TRANSFER OF FINANCIAL ASSETS – *continued*

Securities borrowing from banks – *continued*

In order to borrow the securities mentioned above from banks, the Group has pledged its assets to banks. The type and fair values of the assets pledged to banks as at 31 December 2021 and 2020 are as follows:

Type of assets	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Debt instruments at fair value through other comprehensive income	10,577,070	8,606,106
Financial assets at fair value through profit or loss	609,633	1,129,362
	<u>11,186,703</u>	<u>9,735,468</u>

62. CAPITAL COMMITMENTS

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Capital expenditure in respect of acquisition of property and equipment: – Contracted but not provided for	<u>110,129</u>	<u>62,892</u>

63. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year is as follows:

For the year ended 31 December 2021

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total ⁽ⁱ⁾ RMB' 000
A) EXECUTIVE DIRECTORS					
Lin Chuanhui	–	1,292	81	605	1,978
Sun Xiaoyan	–	1,385	67	2,217	3,669
Qin Li	–	1,293	67	2,132	3,492
Sun Shuming ⁽ⁱⁱ⁾	–	885	53	2,783	3,721
Subtotal	–	4,855	268	7,737	12,860

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total ⁽ⁱ⁾ RMB' 000
B) NON-EXECUTIVE DIRECTORS:					
Li Xiulin	180	–	–	–	180
Shang Shuzhi	180	–	–	–	180
Guo Jingyi ⁽ⁱⁱⁱ⁾	–	–	–	–	–
Subtotal	360	–	–	–	360

The non-executive directors' emoluments shown above were for their services as directors of the Company.


63. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – continued

For the year ended 31 December 2021 – continued

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total ⁽ⁱ⁾ RMB' 000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Fan Lifu	270	-	-	-	270
Hu Bin ^(iv)	270	-	-	-	270
Leung Shek Ling Olivia ^(v)	270	-	-	-	270
Li Wenjing ^(vi)	270	-	-	-	270
Subtotal	<u>1,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,080</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Name	Supervisors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total ⁽ⁱ⁾ RMB' 000
D) SUPERVISORS:					
Zhang Shaohua	-	1,148	66	2,329	3,543
Lai Jianhuang ^(vii)	150	-	-	-	150
Xie Shisong ^(viii)	150	-	-	-	150
Lu Xin ^(ix)	150	-	-	-	150
Cheng Huaiyuan	-	783	58	2,780	3,621
Subtotal	<u>450</u>	<u>1,931</u>	<u>124</u>	<u>5,109</u>	<u>7,614</u>

The supervisors' emoluments shown above were for their services as supervisors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

63. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

For the year ended 31 December 2020

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total ⁽ⁱ⁾ RMB' 000
A) EXECUTIVE DIRECTORS					
Sun Shuming ⁽ⁱⁱ⁾	–	1,767	43	2,106	3,916
Sun Xiaoyan	–	1,543	56	2,181	3,780
Qin Li	–	1,564	56	2,196	3,816
Lin Zhihai ⁽ⁱⁱⁱ⁾	–	465	–	923	1,388
Subtotal	–	5,339	155	7,406	12,900

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total ⁽ⁱ⁾ RMB' 000
B) NON-EXECUTIVE DIRECTORS:					
Shang Shuzhi	180	–	–	–	180
Li Xiulin	180	–	–	–	180
Guo Jingyi ^(iv)	–	–	–	–	–
Liu Xuetao ^(v)	–	–	–	–	–
Subtotal	360	–	–	–	360

The non-executive directors' emoluments shown above were for their services as directors of the Company.

63. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – continued
For the year ended 31 December 2020 – continued

Name	Directors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total ⁽ⁱ⁾ RMB' 000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS:					
Fan Lifu	270	-	-	-	270
Hu Bin ^(iv)	135	-	-	-	135
Leung Shek Ling Olivia ^(v)	135	-	-	-	135
Li Wenjing ^(vi)	135	-	-	-	135
Yang Xiong	158	-	-	-	158
Tang Xin	158	-	-	-	158
Chan Kalok	158	-	-	-	158
Subtotal	<u>1,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,149</u>

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Name	Supervisors' fees RMB' 000	Salaries and allowances RMB' 000	Employer's contribution to pension schemes RMB' 000	Bonuses RMB' 000	Total ⁽ⁱ⁾ RMB' 000
D) SUPERVISORS:					
Zhang Shaohua	-	1,152	54	2,357	3,563
Lai Jianhuang ^(vii)	75	-	-	-	75
Xie Shisong ^(viii)	75	-	-	-	75
Lu Xin ^(ix)	75	-	-	-	75
Cheng Huaiyuan	-	689	48	2,729	3,466
Tan Yue	88	-	-	-	88
Gu Naikang	88	-	-	-	88
Lan Hailin	88	-	-	-	88
Subtotal	<u>489</u>	<u>1,841</u>	<u>102</u>	<u>5,086</u>	<u>7,518</u>

The supervisors' emoluments shown above were for their services as supervisors of the Company.

63. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

During the year ended 31 December 2021, no directors or supervisors of the Company waived any emoluments and during the year ended 31 December 2020, no directors or supervisors of the Company waived any emoluments.

During the years ended 31 December 2021 and 31 December 2020, no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

- (i) The Company did not have any share option scheme during the years ended 31 December 2021 and 31 December 2020.
- (ii) Sun Shuming resigned as executive director in July 2021.
- (iii) Lin Zhihai resigned as executive director in April 2020.
- (iv) Hu Bin was appointed as independent non-executive director in June 2020.
- (v) Leung Shek Ling Olivia was appointed as independent non-executive director in June 2020.
- (vi) Li Wenjing was appointed as independent non-executive director in June 2020.
- (vii) Lai Jianhuang was appointed as supervisor in June 2020.
- (viii) Xie Shisong was appointed as supervisor in June 2020.
- (ix) Lu Xin was appointed as supervisor in June 2020.
- (x) Liu Xuetao resigned as non-executive director in September 2020.
- (xi) Guo Jingyi was appointed as non-executive director in October 2020.



64. FIVE HIGHEST PAID EMPLOYEES

No directors (2020: No directors) are included in the five highest paid employees during the year and the details of directors' remuneration are set out in note 63 above. Details of the remuneration for the year of the five (2020: five) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2021	2020
	RMB' 000	RMB' 000
Basic salaries and allowances	4,314	5,873
Bonuses	43,870	55,892
Employer's contribution to pension schemes	245	195
	<u>48,429</u>	<u>61,960</u>

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2021 and 31 December 2020.

There are five (2020: five) highest paid employees who are not directors nor supervisors of the Company, among which, no (2020: nil) employee's remuneration is more than HKD25.00 million and the remuneration of the five (2020: five) employees are below HKD25.00 million. The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows: five between HKD10.00 million to HKD15.00 million.

65. RELATED PARTY TRANSACTIONS

(1) Shareholders holding more than 5% of the Company's shares and their subsidiaries

Holding interest in shareholders and their subsidiaries

	As at 31.12.2021		As at 31.12.2020	
	Number of shares/ bonds '000	Carrying amount RMB'000	Number of shares/ bonds '000	Carrying amount RMB'000
Financial assets at FVTPL – stocks				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	166	3,064	168	2,762
遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.*	65	1,271	81	1,958
遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.* (Note)	3,996	290,724	3,996	205,529
中山公用事業集團股份有限公司 – Zhongshan Public Utilities Group Co., Ltd.*	86	764	57	473
Financial assets at FVTPL – bonds				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	899	109,409	899	93,818
Financial assets at FVTOCI – stocks				
吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.*	43,312	799,982	43,312	713,357

Note: Liaoning Cheng Da Biotechnology Co., Ltd. is a subsidiary of Liaoning Cheng Da Co., Ltd.



65. RELATED PARTY TRANSACTIONS – *continued*

(1) Shareholders holding more than 5% of the Company's shares and their subsidiaries – *continued*

Cash dividends arising from equity interests in shareholders and their subsidiaries

	2021 RMB' 000	2020 RMB' 000
吉林敖東藥業集團股份有限公司		
– Jilin Aodong Pharmaceutical Group Co., Ltd.*	8,685	8,685
遼寧成大生物股份有限公司		
– Liaoning Cheng Da Biotechnology Co., Ltd.*	–	2,397
遼寧成大股份有限公司		
– Liaoning Cheng Da Co., Ltd.*	1	–
中山公用事業集團股份有限公司		
– Zhongshan Public Utilities Group Co.,Ltd.	1	–
	<u>1</u>	<u>–</u>

Transaction with shareholders and their subsidiaries

	2021 RMB' 000	2020 RMB' 000
Commission and fee income	<u>1,027</u>	<u>1,174</u>
Interest expenses	<u>-</u>	<u>326</u>
Other operating expenses	<u>2,434</u>	<u>7,506</u>

* English names are translated for identification purposes only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

65. RELATED PARTY TRANSACTIONS – *continued*

(1) Shareholders holding more than 5% of the Company's shares and their subsidiaries – *continued*

Balances with shareholders and their subsidiaries

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Contract liabilities		
中山公用事業集團股份有限公司		
– Zhongshan Public Utilities Group Co., Ltd.*	–	306

(2) Other related parties

Transactions with associates/joint ventures

	2021 RMB' 000	2020 RMB' 000
Commission and fee income		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	136,285	96,382
中證信用增進股份有限公司		
– China Securities Credit Investment Co., Ltd.	30	–
廣發信德中恒匯金(龍巖)股權投資合夥企業(有限合夥)		
– GF Xinde Zhongheng Huijin (Longyan) Equity Investment Partnership L.P.*	16,509	16,509
珠海廣發信德環保產業投資基金合夥企業(有限合夥)		
– Zhuhai GF Xinde Environment Protection Industry Investment Fund Partnership L.P.*	68,291	9,124
珠海廣發信德科技文化產業股權投資基金(有限合夥)		
– Zhuhai GF Xinde Technology and Culture Industry Equity Investment Fund L.P.*	8,909	14,237

* English names are translated for identification purposes only.


 65. RELATED PARTY TRANSACTIONS – *continued*

 (2) Other related parties – *continued*
Transactions with associates/joint ventures – continued

	2021 RMB' 000	2020 RMB' 000
Commission and fee income – <i>continued</i>		
廣州信德創業營股權投資合夥企業(有限合夥) – Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.*	7,547	7,547
廣州信德厚峽股權投資合夥企業(有限合夥) – Guangzhou Xinde Houxia Equity Investment Partnership L.P.*	10,631	9,318
珠海廣發信德高成長現代服務業股權投資企業(有限合夥) – Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Fund L.P. *	3,656	3,656
珠海廣發信德智能創新升級股權投資基金(有限合夥) – Zhuhai GF Xinde Upgraded Intelligent Innovation Equity Fund L.P.*	3,184	3,184
廣州南鑫珠海港股權投資合夥企業(有限合夥) – Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P.*	2,783	2,783
杭州廣發信德乒乓鴻鵠股權投資基金合夥企業(有限合夥) – Hangzhou GF Xinde Pingpang Honghu Equity Investment Fund Partnership L.P.*	1,564	1,564
珠海格金廣發信德智能製造產業投資基金(有限合夥) – Zhuhai Gejin Guangfa Xinde Intelligent Manufacturing Industry Investment Fund L.P. *	9,434	5,547
廣發信德(蘇州)健康產業創業投資合夥企業(有限合夥) – Guangfa Xinde (Suzhou) Health Industry Venture Capital Partnership L.P. *	7,585	7,585
珠海盈米基金銷售有限公司 – Zhuhai Yingmi Fund Selling Co., Ltd.*	830	226
廣州廣發信德二期創業投資合夥企業(有限合夥) – Guangzhou GF Xinde Phase II Venture Capital Partnership L.P. *	5,660	5,428
中山廣發信德致遠科技創業投資合夥企業(有限合夥) – Zhongshan GF Xinde Zhiyuan Technology Venture Capital Partnership L.P. *	8,491	1,210

65. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties – *continued*

Transactions with associates/joint ventures – continued

	2021 RMB' 000	2020 RMB' 000
Commission and fee income – <i>continued</i>		
中山中匯廣發信德股權投資基金(有限合夥)		
– Zhongshan Zhonghui GF Xinde Equity Investment Fund L.P.*	4,389	285
宿遷智能製造產業投資基金(有限合夥)		
– Suqian Intelligent Manufacturing Industry Investment Fund (L.P.)*	1,254	–
廣州廣發信德健康創業投資基金合夥企業(有限合夥)		
– Guangzhou Guangfa Xinde Health Venture Capital Fund Partnership (L.P.)*	8,891	–
珠海廣發信德中鼎創業投資基金(有限合夥)		
– Zhuhai Guangfa Xinde Zhongding Venture Capital Fund (L.P.)*	1,139	–
珠海廣發信德新州一號創業投資基金(有限合夥)		
– Zhuhai Guangfa Xinde Xinzhou No.1 Venture Capital Fund (L.P.)*	1,384	–

* English names are translated for identification purposes only.


 65. RELATED PARTY TRANSACTIONS – *continued*

 (2) Other related parties – *continued*
Transactions with associates/joint ventures – continued

	2021 RMB' 000	2020 RMB' 000
Commission and fee income – <i>continued</i>		
珠海廣發信德厚合股權投資合夥企業(有限合夥) – Zhuhai Guangfa Xinde Houhe Equity Investment Partnership (L.P.)*	527	–
珠海廣發信德厚疆創業投資基金(有限合夥) – Zhuhai Guangfa Xinde Houjiang Venture Capital Fund (L.P.)*	883	–
高投信德(廣東)創新創業投資基金合夥企業(有限合夥) – Gaotou Xinde(Guangdong) Innovation Venture Capital Fund Partnership (L.P.)*	480	–
珠海廣發信德瑞騰創業投資基金合夥企業(有限合夥) – Zhuhai Guangfa Xinde Ruiteng Venture Capital Fund Partnership (L.P.)*	3,520	–
廣州南沙區信德厚威創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houwei Venture Capital Fund Partnership (L.P.)*	2,338	–
潮州市廣發信德創業投資基金合夥企業(有限合夥) – Chaozhou Guangfa Xinde Venture Capital Fund Partnership (L.P.)*	199	–
廣州廣發信德厚倫創業投資基金合夥企業(有限合夥) – Guangzhou Guangfa Xinde Houlun Venture Capital Fund Partnership (L.P.)*	81	–
廣州南沙區信德厚泮創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houpai Venture Capital Fund Partnership (L.P.)*	2	–
吉林敖東創新產業基金管理中心(有限合夥) – Jilin Jidong Innovation Industry Fund Management Center (L.P.)*	3	–
珠海廣發朗姿互聯網時尚產業基金投資管理有限公司 – Zhuhai GF Langzi Modern Internet Industrial Fund Investment Management Co., Ltd.*	–	5
珠海廣發信德盈遠二期投資基金(有限合夥) – Zhuhai GF Xinde Yingyuan Phase II Investment Fund L.P.*	–	1,191
廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥) – Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	–	270
廣州廣發信德一期健康產業投資企業(有限合夥) – Guangzhou GF Xinde Healthcare Industrial Investment Partnership L.P. No.1*	–	562
	<u>–</u>	<u>562</u>

* English names are translated for identification purposes only.

65. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties – *continued*

Transactions with associates/joint ventures – continued

	2021 RMB'000	2020 RMB'000
Interest income		
– GHS Investment Management (Cayman) Company Limited	<u>403</u>	<u>403</u>
Other income and gains or losses		
– Horizon Partners Fund, L.P.	<u>814</u>	<u>870</u>
Interest expenses		
– Global Health Science Fund II, L.P.	<u>2,406</u>	<u>3,243</u>
Other operating expenses		
珠海盈米基金銷售有限公司		
– Zhuhai Yingmi Fund Selling Co., Ltd.*	13,830	14,175
廣發鈞策海外投資基金管理(上海)有限公司		
– GF-Persistent Overseas Investment Fund Management (Shanghai) Co., Ltd.*	<u>–</u>	<u>2,304</u>



65. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties – *continued*

Balances with associates/joint ventures

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Commission receivable from exchange trading units and distributing financial products		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	<u>36,590</u>	<u>25,386</u>
Receivables for custodian fee		
易方達基金管理有限公司		
– E Fund Management Co., Ltd.	<u>428</u>	<u>431</u>
Receivables for asset and fund management fee income		
廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥)		
– Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1*	1,668	4,636
廣州信德創業營股權投資合夥企業(有限合夥)		
– Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.*	<u>16,000</u>	<u>8,000</u>

* English names are translated for identification purposes only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

65. RELATED PARTY TRANSACTIONS – *continued*

(2) Other related parties – *continued*

Balances with associates/joint ventures – continued

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Receivables for asset and fund management fee income – <i>continued</i>		
珠海廣發信德高成長現代服務業股權投資企業(有限合夥) – Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Enterprise L.P. *	7,750	3,875
珠海廣發信德科技文化產業股權投資基金(有限合夥) – Zhuhai GF Xinde Technology and Culture Industry Equity Investment Fund L.P.*	15,059	5,615
廣州信德厚峽股權投資合夥企業(有限合夥) – Guangzhou Xinde Houxia Equity Investment Partnership L.P.*	1,424	–
廣州廣發信德一期健康產業投資企業(有限合夥) – Guangzhou GF Xinde Healthcare Industrial Investment Partnership L.P. No.1*	3,806	5,126
宿遷智能製造產業投資基金(有限合夥) – Suqian Intelligent Manufacturing Industry Investment Fund(L.P.)*	727	–
珠海廣發信德智能創新升級股權投資基金(有限合夥) – Zhuhai Guangfa Xinde Intelligent Innovation and Upgrading Equity Investment Fund (L.P.)*	8,375	–
珠海格金廣發信德智能製造產業投資基金(有限合夥) – Zhuhai Gejin Guangfa Xinde Intelligent Manufacturing Industry Investment Fund(L.P.)*	5,041	–
廣州廣發信德厚倫創業投資基金合夥企業(有限合夥) – Guangzhou Guangfa Xinde Houlun Venture Capital Fund Partnership (L.P.)*	86	–
廣州南沙區信德厚泮創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houpai Venture Capital Fund Partnership (L.P.)*	2	–
珠海廣發信德厚合股權投資合夥企業(有限合夥) – Zhuhai Guangfa Xinde Houhe Equity Investment Partnership (Limited Partnership)*	558	–

* English names are translated for identification purposes only.


 65. RELATED PARTY TRANSACTIONS – *continued*

 (2) Other related parties – *continued*
Balances with associates/joint ventures – continued

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Amounts due from associates – costs and dividends receivables		
珠海廣發信德厚維投資企業(有限合夥) – Zhuhai GF Xinde Houwei Investment Partnership L.P.*	–	3,188
Amount due from joint ventures – costs and dividends receivables		
珠海廣發信德厚源投資企業(有限合夥) – Zhuhai GF Xinde Houyuan Investment Partnership L.P.*	–	82,782
Amounts due from joint ventures – other receivables		
– GHS Investment Management (Cayman) Company Limited	9,780	9,099
– Global Health Science Fund II, L.P.	–	7,400
Amounts due to joint ventures – notes payable and other payables		
– Global Health Science Fund II, L.P.	–	59,377
Amounts due to associates – advance from customers and other payables		
珠海盈米基金銷售有限公司 – Zhuhai Yingmi Fund Selling Co., Ltd.*	3,966	3,392
廣州廣發信德二期創業投資合夥企業(有限合夥) – Guangzhou GF Xinde Phase II Venture Capital Partnership L.P.*	–	246
– Horizon Partners Fund L.P.	706	–
珠海廣發信德厚疆創業投資基金(有限合夥) – Zhuhai Guangfa Xinde Houjiang Venture Capital Fund (L.P.)*	8,194	–
高投信德(廣東)創新創業投資基金合夥企業(有限合夥) – Gaotou Xinde(Guangdong) Innovation Venture Capital Fund Partnership (L.P.)*	1,892	–

* English names are translated for identification purposes only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

65. RELATED PARTY TRANSACTIONS – *continued*

(3) Key management personnel

The remuneration of the key management personnel of the Group was as follows:

	2021 RMB'000	2020 RMB'000
Short-term benefits		
– Salaries, allowance and bonuses	268,734	156,562
Post-employment benefits		
– Employer's contribution to pension schemes/annuity schemes	714	567
Total	<u>269,448</u>	<u>157,129</u>

66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customers on the same settlement date are settled on a net basis.

Under the continuous net settlement, money obligations receivable and payable with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement date are settled on a net basis.


 66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	As at 31 December 2021					
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
Type of financial assets	RMB' 000	RMB' 000	RMB' 000	Financial instruments	Collateral received	RMB' 000
Advances to customers	3,464,890	(536,367)	2,928,523	-	-	2,928,523
Accounts receivable from clearing houses, brokers and cash clients	1,737,784	(467,102)	1,270,682	-	-	1,270,682
Deposits with exchanges and non-bank financial institutions	24,458,458	(23,529,172)	929,286	(21,282)	(18,450)	889,554
Total	29,661,132	(24,532,641)	5,128,491	(21,282)	(18,450)	5,088,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements – *continued*

Type of financial liabilities	As at 31 December 2021					
	Gross amounts of financial liabilities recognised	Gross amounts of financial liabilities set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	RMB' 000	RMB' 000	RMB' 000	Financial instruments	Collateral received	RMB' 000
Accounts payable to brokerage clients	28,881,341	(24,065,540)	4,815,801	(33,944)	(5,788)	4,776,069
Payables for open-ended fund clearing and other clearing	529,731	(467,102)	62,629	–	–	62,629
Total	29,411,072	(24,532,642)	4,878,430	(33,944)	(5,788)	4,838,698

Type of financial assets	As at 31 December 2020					
	Gross amounts of financial assets recognised	Gross amounts of financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
	RMB' 000	RMB' 000	RMB' 000	Financial instruments	Collateral received	RMB' 000
Advances to customers	3,776,279	(1,095,819)	2,680,460	–	(2,680,460)	–
Accounts receivable from clearing houses, brokers and cash clients	2,408,764	(1,407,445)	1,001,319	(456,060)	–	545,259
Deposits with exchanges and non-bank financial institutions	18,648,741	(17,591,991)	1,056,750	(161,568)	(44,550)	850,632
Total	24,833,784	(20,095,255)	4,738,529	(617,628)	(2,725,010)	1,395,891

66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – continued

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements – continued

	As at 31 December 2020					
	Gross amounts of financial assets set off in the consolidated statement of financial liabilities position	Gross amounts of financial liabilities position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
Type of financial liabilities	RMB' 000	RMB' 000	RMB' 000	Financial instruments	Collateral received	RMB' 000
Accounts payable to brokerage clients	24,156,806	(18,687,810)	5,468,996	(536,829)	-	4,932,167
Payables for open-ended fund clearing and other clearing	1,515,547	(1,407,445)	108,102	(63,317)	-	44,785
Total	25,672,353	(20,095,255)	5,577,098	(600,146)	-	4,976,952

The tables below reconcile the “Net amount of financial assets and financial liabilities presented in the consolidated statement of financial position” as set out above, to the line items presented in the consolidated statement of financial position:

Advances to customers

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Net amount of advances to customers as stated above	2,928,523	2,680,460
Amount not in the scope of offsetting disclosures	94,302,245	83,472,356
Total amount of advances to customers as stated in note 30	97,230,768	86,152,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

Accounts receivable

	As at	As at
	31.12.2021	31.12.2020
	RMB' 000	RMB' 000
Net amount of accounts receivable as stated above	1,270,682	1,001,319
Amount not in the scope of offsetting disclosures	3,524,567	2,302,965
Total amount of accounts receivable as stated in note 31	<u>4,795,249</u>	<u>3,304,284</u>

Deposits with exchanges and non-bank financial institutions

	As at	As at
	31.12.2021	31.12.2020
	RMB' 000	RMB' 000
Net amount of deposits with exchanges and non-bank financial institutions as stated above	929,286	1,056,750
Amount not in the scope of offsetting disclosures	11,565,827	9,988,796
Total amount of deposits with exchanges and non-bank financial institutions as stated in note 38	<u>12,495,113</u>	<u>11,045,546</u>



66. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

Accounts payable to brokerage clients

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Net amount of accounts payable to brokerage clients as stated above	4,815,801	5,468,996
Amount not in the scope of offsetting disclosures	121,915,296	97,472,109
Total amount of accounts payable to brokerage clients as stated in note 47	126,731,097	102,941,105

Other accounts payable, other payables and accruals

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Net amount of payables for open-ended fund clearing and other clearing as stated above	62,629	108,102
Amount not in the scope of offsetting disclosures	907,871	1,790,644
Total amount of payables for open-ended fund clearing and other clearing as stated in note 49	970,500	1,898,746

67. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December 2021			Financial assets at fair value through profit or loss
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income Debt investments	Equity investments	
Financial assets				
Bank balances	119,312,820			
Clearing settlement funds	27,694,381			
Advances to customers	97,230,768			
Financial assets at fair value through profit or loss				124,464,412
Derivative financial assets				564,493
Financial assets held under resale agreements	19,992,232			
Account receivable	4,795,249			
Deposits with exchanges and non-bank financial institutions	12,495,113			
Debt instruments at amortised cost	104,688			
Debt instruments at fair value through other comprehensive income		110,475,096		
Equity instruments at fair value through other comprehensive income			872,792	
Financial leasing receivables	734,312			
Other financial assets	638,064			
Total	282,997,627	110,475,096	872,792	125,028,905



67. FINANCIAL INSTRUMENTS – *continued*

Categories of financial instruments – *continued*

Financial liabilities	As at 31 December 2021		
	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	
		Classified at fair value through profit or loss	Designated at fair value through profit or loss
Borrowings	916,545		
Short-term financing payables	27,876,760		
Due to banks and other financial institutions	11,617,488		
Financial liabilities at fair value through profit or loss		207,121	8,370,561
Derivative financial liabilities		981,099	
Financial assets sold under repurchase agreements	81,230,200		
Accounts payable to brokerage clients	126,731,097		
Other liabilities		2,245,721	
Long-term loans	338,675		
Bonds payable	138,682,932		
Lease liabilities	841,758		
Other financial liabilities	11,745,602		
Total	399,981,057	3,433,941	8,370,561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

67. FINANCIAL INSTRUMENTS – *continued*

Categories of financial instruments – *continued*

	As at 31 December 2020			Financial assets at fair value through profit or loss
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income Debt investments	Equity investments	
Financial assets				
Bank balances	102,766,204			
Clearing settlement funds	20,515,405			
Advances to customers	86,152,816			
Financial assets at fair value through profit or loss				67,697,394
Derivative financial assets				203,366
Financial assets held under resale agreements	16,793,849			
Account receivable	3,304,284			
Deposits with exchanges and non-bank financial institutions	11,045,546			
Debt instruments at amortised cost	462,315			
Debt instruments at fair value through other comprehensive income		120,182,381		
Equity instruments at fair value through other comprehensive income			11,625,078	
Financial leasing receivables	1,535,633			
Other financial assets	793,886			
Total	243,369,938	120,182,381	11,625,078	67,900,760


 67. FINANCIAL INSTRUMENTS – *continued*

 Categories of financial instruments – *continued*

	As at 31 December 2020		
	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Designated at fair value through profit or loss
Financial liabilities			
Borrowings	2,552,786		
Short-term financing payables	35,008,179		
Due to banks and other financial institutions	6,121,286		
Financial liabilities at fair value through profit or loss		640,351	2,939,064
Derivative financial liabilities		214,987	
Financial assets sold under repurchase agreements	94,611,621		
Accounts payable to brokerage clients	102,941,105		
Other liabilities		1,985,912	
Long-term loans	2,183,069		
Bonds payable	89,749,863		
Lease liabilities	653,061		
Other financial liabilities	5,031,204		
Total	338,852,174	2,841,250	2,939,064

68. FINANCIAL INSTRUMENTS RISK MANAGEMENT

68.1 Risk management policies and organisation structure

(1) *Risk management policies*

The objective of risk management of the Group is to strike for an appropriate balance between risks and revenue and to minimise the negative effect of the risks on the Group's operating results to the lowest level, so as to ensure that the risks borne by the Company match well with the regulatory standards, development strategies, capital capability and its risk tolerance and to maximise yields for shareholders and other equity investors. In pursuit of such objective of risk management, the basic strategies of the Group are to identify and analyse the risks with which the Group is facing, to implement risk management within the range of risk tolerance and risk limit setting and to identify, assess, measure, monitor, report and address the risks comprehensively and accurately on a timely basis. The Group has adhered to the Three Ideas about Risk Management which are "to manage risks cautiously"; "the three departments cooperate with each other and each focuses on specific aspects"; and "be people-oriented", and follows the Five Basic Principles which are "comprehensive management; objectiveness and fairness; checks and balance; separate and well-defined duties and power; openness and transparency".

The risks to which the Group is exposed in daily operating activities mainly include market risk, credit risk and liquidity risk. The Group has established policies and procedures accordingly to identify and analyse the risks. The Group has set up appropriate risk indicators, risk limits, risk criteria and internal control process. The Group also manages risks with information systems on a continuous monitoring basis.

(2) *Structure of the risk-management organisation*

The Group adopts a four-level risk management organisation structure system, namely "board of directors and its subordinated risk management committee, management executives and relevant professional committees, various control and supporting departments, and business departments". First-line risk management organisations or staff have been set up in all major business departments of the Company. Organisations and staff of all levels perform their authorised risk management duties with clear segregation of duties and emphasis on mutual collaboration. The business department, risk management department, compliance and legal affairs department and internal auditing department cooperate with each other and each focuses on specific aspects, and they perform risk assessment before the projects implement, ongoing control, investigation and evaluation after completion. They also continuously monitor and manage various risks faced by the Group at various levels and in a comprehensive manner, and contribute to the sustainable development of the business of the Company.

68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.1 Risk management policies and organisation structure – *continued*

(2) *Structure of the risk-management organisation – continued*

The risk management department is primarily responsible for conducting independent evaluation and monitoring of market risk, credit risk and liquidity risk of the Group and establishing the operational risk management system and coordinating with other departments to manage operational risk, money laundering risk, model risk and reputation risk; assessing, monitoring, reporting on and advising on the management of the Company’s venture capital; handling daily routine of the Risk Control Committee of the Company as a standing body of the Risk Management Committee. The compliance and legal department is the Group’s function department for compliance and legal risk management, primarily responsible for formulating the Group’s management policies in respect of compliance and legal risk, conducting independent evaluation and monitoring of compliance and legal risks, organising and carrying out money laundering risk management, prevention and control in accordance with the Company’s anti-money laundering management policy, coordinating with other departments to manage operational risk and performing compliance inspection and management on operational administration activities and code of conduct of the employees of the Group. The auditing department is the third defensive line of risk control. It is responsible for the checking, supervision, evaluation, and relative internal auditing consultation of internal control, risk management, governance procedure, and operating management performance.

68.2 Credit risk

Credit risk is the probability that the market value of debts may change due to the fact that the issuer or counterparty fails to perform the obligations specified in the contract or due to the change in credit rating and performance capability, thereby causing loss to the Group. The credit risk the Group is exposed to mainly relates to the following assets: 1) fixed income financial assets; 2) financing businesses such as advances to customers, financial leasing receivables and financial assets held under resale agreements (mainly refer to securities transactions with repurchase agreements and stock-pledged repos); 3) over-the-counter derivative financial assets.

Fixed income financial assets include bank balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions, accounts receivable and bonds. Credit risk mainly includes the risk caused by its counterparties and securities issuer’s default risk. The maximum credit risk exposure equals to the carrying amounts of these instruments.

68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.2 Credit risk – *continued*

In terms of the financing business, the credit risk exposure of margin financing and securities lending, securities transactions with repurchase agreements, stock-pledged repos and financial leasing arises from the default risk of counterparties due to their failure to repay the principal and interest of debts when due. As at 31 December 2021 and 2020, the average ratios of guarantee maintained by the Group for all the clients who have liabilities in margin financing and securities lending of the Group were 286.66% and 281.67% respectively. As at 31 December 2021 and 2020, the average coverage ratios of contract performance for clients of security transactions with repurchase agreements were 274.86% and 231.26%, respectively, and the average coverage ratios of contract performance securities for clients of the stock-pledged repos were 330.54% and 337.78%, respectively. The guarantees provided are sufficient and the credit risk of the financing business is managed at an acceptable level.

The credit risk of over-the-counter derivative transactions is mainly the counterparty default risk in conducting over-the-counter derivative transactions such as forward, swaps and options. Currently, counterparties of over-the-counter derivative transactions are mainly banks, securities companies and other financial institutions, with low overall default risks.

The credit risk of the bond investments is mainly mitigated by means of credit rating management, transaction limits, position limits, exposure limits on issuers, etc.

The credit risk of the financing business of the Group is mainly managed through the following measures: 1) the establishment of a strict business due diligence requirements, credit facility management, the development of business admission criteria, the review on the creditworthiness and business qualification of counterparties prior to the conduction of business, and the preliminary identification and assessment of business credit risks; 2) the research and development of business review process, guarantees and other elements of transactions, and the adoption of tailored risk mitigating measures; 3) the continuous post-transaction tracking and management on counterparties, guarantees and the actual performance of transaction agreements, the collection of transaction-related information on a regular basis and assessment of risks, as well as timely actions adopted upon the occurrence of risk events.

In terms of managing counterparty credit risks of over-the-counter derivative transactions, the Group applies the following measures: 1) strengthening due diligence of counterparties, improving the mechanism for regular return visits and specifying the admission criteria for various types of business counterparties through the internal credit rating management; 2) controlling the credit risk exposure of counterparty through credit limit, single transaction size, total business scale and identical client management; 3) mitigating counterparty risk through collateral, guarantees, netting agreements, etc., for over-the-counter derivative transactions not using Central Counterparty (CCP) settlement; and 4) timely monitoring changes in counterparty credit exposure based on market changes and stress testing results and preventing the excess or further deterioration of counterparty credit risk exposure through mark-to-market monitoring, margin calls, margin closeout and loss recovery measures.



68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.2 Credit risk – *continued*

During the year, the Group’s impairment assessment was based on an expected credit loss model. The Group applies the simplified approach to measure ECLs on accounts receivable and contract assets that do not contain a significant financing component according to accounting policies and the general approach to measure ECLs on other financial assets such as bank balances, clearing settlement funds, advances to customers, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, debt instruments at fair value through other comprehensive income, debt instruments at amortised cost and financial leasing receivables, etc. Under the simplified approach, the Group measures the loss allowance at an amount equal to the lifetime ECL. Under the general approach, the Group measures the allowance of financial assets in the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL – not credit-impaired and Stage 3: Lifetime ECL – credit-impaired.

The Group considers both quantitative and qualitative information and analysis based on the Group’s historical experience and expert credit risk assessment, including forward-looking information when determining whether the risk of default has increased significantly since initial recognition.

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of the reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- Quantitative criteria mainly refer to the case where debtor’s defaulting days have been over certain days by the end of the reporting period; and the case where mark-to-market ratios are unable to meet certain criteria.
- Qualitative criteria mainly refer to a significant adverse change in debtor’s operation or financial status, or debtor being listed on the watch-list.

68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.2 Credit risk – *continued*

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaults on interest or becoming overdue on interest or principal payments;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include the probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral, and repayments) and forward-looking information in order to establish the model of PD, LGD and EAD.



68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.2 Credit risk – *continued*

Parameters of ECL measurement – continued

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating Model of Guangfa Securities Co., Ltd., taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment.
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. LGD is the percentage of the loss of EAD when default occurs, calculated based on the next 12 months or throughout the entire remaining lifetime.
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applies experts' judgement in this process, according to the result of experts' judgement. The Group predicts these economic indicators and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In 2021, the Group considered the impact of the novel coronavirus ("COVID-19") on the macroeconomic and industry shocks when evaluating the forward-looking information used in the ECL measurement model.

68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

 68.2 Credit risk – *continued*
Forward-looking information – continued

Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of financial assets, which is net of impairment allowance. The maximum credit risk exposure of the Group is as follows:

	As at 31.12.2021 RMB'000	As at 31.12.2020 RMB'000
Advances to customers	97,230,768	86,152,816
Accounts receivable	4,795,249	3,304,284
Other accounts receivable and other receivables	530,770	638,346
Financial leasing receivables	734,312	1,535,633
Amounts due from joint ventures	10,508	99,281
Amount due from associates	96,786	56,257
Financial assets held under resale agreements	19,992,232	16,793,849
Financial assets at fair value through profit or loss ⁽ⁱ⁾	77,633,902	45,415,960
Including: Monetary funds	33,287,840	15,379,549
Including: Securities lent to customers	664,147	377,158
Equity instruments at fair value through other comprehensive income ⁽ⁱⁱ⁾	–	84
Including: Securities lent to customers	–	84
Debt instruments at fair value through other comprehensive income	110,475,096	120,182,381
Debt instruments at amortised cost	104,688	462,315
Derivative financial assets	2,237,894	1,575,347
Deposits with exchanges and non-bank financial institutions	12,495,113	11,045,546
Clearing settlement funds	27,694,381	20,515,405
Bank balances	119,312,820	102,766,204
	473,344,519	410,543,708

(i) Financial assets at fair value through profit or loss contain only debt securities, monetary funds managed by third parties, bond fund, debt financing products, notes and securities lent to customers. Securities lent to customers are mainly equity securities, and are therefore listed above separately to show the credit risk exposure.

(ii) Equity instruments at fair value through other comprehensive income contain only securities lent to customers. Securities lent to customers are mainly equity securities, and are therefore listed above separately to show the credit risk exposure.

68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.2 Credit risk – *continued*

Forward-looking information – continued

Overall, the Group monitors and manages credit risk at all times, and takes every possible measure to mitigate and control credit risk exposure to an acceptable level.

68.3 Market risks

Market risks faced by the Group refer to the risk that causes loss of the Company's each business as a result of unfavourable changes in market prices, including equity securities price risk, interest rate risk, exchange rate risk and commodity price risk.

In order to manage market risks effectively, the Group determines the policy for the maximum market exposure the Group is willing to assume, based on the risk preference, capital position and risk tolerance. Taking business development plan, business scale and other factors into account, the Group disaggregates risk limits into different investment units through risk limits authorisation management system and each investment unit operates business within the range of risk limits authorisation. When concretely operating the business, the Group comprehensively manage market risks faced by various types of business by means of admission management, size control, concentration, Value at Risk (VaR), sensitivity analysis, stress testing, risk assessment and monitoring of profit and loss. The front desk serves as the first line management directly responsible for market risks, which dynamically manages the market risks resulted from the portion of positions held and actively takes actions to reduce risk exposure or performs risk hedging when the risk exposure is high.

The Risk Management Department is independent of business departments when performing market risk management duty and it sustainably optimises the Group's market risk framework, comprehensively evaluates and dynamically monitors the market risk exposure and changes of the Group and business departments and continuously communicate risk information directly with teams of business departments to discuss risk status and extreme loss scenarios. Meanwhile, market risk conditions and their changes of the Company as a whole and each business department are reported in a timely manner to the Company's management through regular risk reporting.

68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.3 Market risks – *continued*

The Risk Management Department uses a series of quantitative methods to estimate possible losses resulted from market risks, including VaR, sensitivity analysis, stress testing and ES. The Group's VaR is measured using the historical simulation method with a confidence level of 95%. Meanwhile, the Group disaggregates combined VaR based on types of market risk factors in order to have a command of the contribution made by various risk factors to combined market risk. The Group is clearly aware that VaR involves certain limitations because it is a risk indicator. Possible losses in extreme case, such as significant adverse changes on market price and severe risk events, are estimated by means of stress testing or ES, etc.

Interest rate risk

Interest rate risk is the risk of fluctuation in the Group's financial position and cash flows arising from movements in interest rates. The Group's interest-bearing assets mainly include bank balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions and fixed-income investments. Interest-bearing financial liabilities mainly include borrowings, short-term financing payables, due to banks and other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients and bonds payable. Fixed-income investments of the Group mainly include government bonds, financial bond, interbank negotiable certificates of deposit, medium-term notes, high-quality short-term papers, corporate bonds, asset backed securities, treasury bond futures, interest rate swaps and standard bond forward. In order to manage interest rate risks, the Group uses VaR, stress test and sensitivity indicators (duration, convexity and DV01, etc) to measure and monitor the interest rate risk on a daily basis.


 68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

 68.3 Market risks – *continued*
Interest rate risk – continued

The tables below summarise the Group's interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

	As at 31 December 2021						Total RMB' 000
	Less than 1 month RMB' 000	More than 1 month but less than 3 months RMB' 000	More than 3 months but less than 1 year RMB' 000	More than 1 year but less than 5 years RMB' 000	More than 5 years RMB' 000	Non-interest – bearing RMB' 000	
Financial assets							
Advances to customers	14,307,188	24,198,501	57,413,612	-	-	1,311,467	97,230,768
Investment in an associate at fair value through profit or loss	-	-	-	-	-	8,202	8,202
Amounts due from associates	-	-	-	-	-	96,786	96,786
Amounts due from joint ventures	-	-	-	-	-	10,508	10,508
Accounts receivable	964,958	-	-	-	-	3,830,291	4,795,249
Debt instruments at fair value through other comprehensive income	1,097,743	7,626,173	19,752,276	78,363,373	1,769,734	1,865,797	110,475,096
Financial leasing receivables	51,326	118,179	285,093	88,782	-	190,932	734,312
Debt instruments at amortised cost	-	-	-	3,129	-	101,559	104,688
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	872,792	872,792
Other accounts receivable, other receivables and prepayments	5,441	8,048	13,711	3,430	-	500,140	530,770
Financial assets held under resale agreements	8,386,091	1,615,047	8,437,855	1,411,423	-	141,816	19,992,232
Financial assets at fair value through profit or loss	6,076,754	25,710,678	24,793,001	13,046,284	1,423,681	53,414,014	124,464,412
Derivative financial assets	-	-	-	-	-	564,493	564,493
Deposits with exchanges and non-bank financial institutions	2,576,052	-	-	-	-	9,919,061	12,495,113
Clearing settlement funds	27,383,614	-	-	-	-	310,767	27,694,381
Bank balances	101,216,413	5,486,613	12,117,714	-	-	492,080	119,312,820
Total	162,065,580	64,763,239	122,813,262	92,916,421	3,193,415	73,630,705	519,382,622

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.3 Market risks – *continued*

Interest rate risk – continued

	As at 31 December 2021						Total RMB' 000
	Less than 1 month RMB' 000	More than 1 month but less than 3 months RMB' 000	More than 3 months but less than 1 year RMB' 000	More than 1 year but less than 5 years RMB' 000	More than 5 years RMB' 000	Non-interest – bearing RMB' 000	
Financial liabilities							
Borrowings	865,067	–	50,000	–	–	1,478	916,545
Short-term financing payables	1,650,802	7,436,254	18,622,757	–	–	166,947	27,876,760
Due to banks and other financial institutions	5,598,570	6,000,000	–	–	–	18,918	11,617,488
Accounts payable to brokerage clients	112,532,119	–	–	–	–	14,198,978	126,731,097
Other payables and accruals	–	95,633	1,584,327	–	–	10,050,884	11,730,844
Amounts due to associates	–	–	–	–	–	14,758	14,758
Other liabilities	–	–	–	–	–	2,245,721	2,245,721
Financial liabilities at fair value through profit or loss	893,098	1,562,344	–	–	–	6,122,240	8,577,682
Derivative financial liabilities	–	–	–	–	–	981,099	981,099
Financial assets sold under repurchase agreements	73,757,680	1,143,786	6,265,077	–	–	63,657	81,230,200
Lease liabilities	8	2,186	19,347	733,911	83,449	2,857	841,758
Bonds payable	10,901,503	24,708,704	23,984,970	71,876,135	4,495,636	2,715,984	138,682,932
Long-term loans	79,814	18,535	171,239	63,827	–	5,260	338,675
Total	206,278,661	40,967,442	50,697,717	72,673,873	4,579,085	36,588,781	411,785,559
Net exposure	(44,213,081)	23,795,797	72,115,545	20,242,548	(1,385,670)	37,041,924	107,597,063



68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – continued

68.3 Market risks – continued

Interest rate risk – continued

	As at 31 December 2020						
	Less than 1 month RMB' 000	More than 1 month but less than 3 months RMB' 000	More than 3 months but less than 1 year RMB' 000	More than 1 year but less than 5 years RMB' 000	More than 5 years RMB' 000	Non-interest – bearing RMB' 000	Total RMB' 000
Financial assets							
Advances to customers	13,787,606	19,464,134	51,710,866	–	–	1,190,210	86,152,816
Investment in an associate at fair value through profit or loss	–	–	–	–	–	45,266	45,266
Amounts due from associates	–	–	–	–	–	56,257	56,257
Amounts due from joint ventures	–	–	–	–	–	99,281	99,281
Accounts receivable	322,151	–	–	–	–	2,982,133	3,304,284
Debt instruments at fair value through other comprehensive income	2,139,415	6,048,162	42,684,847	67,222,984	149,284	1,937,689	120,182,381
Financial leasing receivables	45,980	198,182	573,337	558,599	–	159,535	1,535,633
Debt instruments at amortised cost	10,097	99,984	105,949	3,540	–	242,745	462,315
Equity instruments at fair value through other comprehensive income	–	–	–	–	–	11,625,078	11,625,078
Other accounts receivable, other receivables and prepayments	20,911	42,684	105,074	44,930	–	424,747	638,346
Financial assets held under resale agreements	4,974,431	1,219,049	8,376,560	1,858,547	–	365,262	16,793,849
Financial assets at fair value through profit or loss	2,786,319	14,068,528	12,415,136	12,299,731	760,160	25,367,520	67,697,394
Derivative financial assets	–	–	–	–	–	203,366	203,366
Deposits with exchanges and non-bank financial institutions	4,050,145	–	–	–	–	6,995,401	11,045,546
Clearing settlement funds	20,499,501	–	–	–	–	15,904	20,515,405
Bank balances	88,995,522	4,363,526	8,912,720	–	–	494,436	102,766,204
Total	137,632,078	45,504,249	124,884,489	81,988,331	909,444	52,204,830	443,123,421

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68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.3 Market risks – *continued*

Interest rate risk – continued

	As at 31 December 2020						Total RMB' 000
	Less than 1 month RMB' 000	More than 1 month but less than 3 months RMB' 000	More than 3 months but less than 1 year RMB' 000	More than 1 year but less than 5 years RMB' 000	More than 5 years RMB' 000	Non-interest – bearing RMB' 000	
Financial liabilities							
Borrowings	1,103,412	1,103,794	342,700	–	–	2,880	2,552,786
Short-term financing payables	6,819,664	4,496,143	23,417,387	–	–	274,985	35,008,179
Due to banks and other financial institutions	5,110,620	1,000,000	–	–	–	10,666	6,121,286
Accounts payable to brokerage clients	93,062,011	–	–	–	–	9,879,094	102,941,105
Other payables and accruals	–	–	–	–	–	4,968,190	4,968,190
Amounts due to associates	–	–	–	–	–	3,638	3,638
Amounts due to joint ventures	–	–	–	56,763	–	2,614	59,377
Other liabilities	–	–	–	–	–	1,985,912	1,985,912
Financial liabilities at fair value through profit or loss	–	–	–	–	–	3,579,415	3,579,415
Derivative financial liabilities	–	–	–	–	–	214,987	214,987
Financial assets sold under repurchase agreements	85,658,342	5,057,324	3,719,768	–	–	176,187	94,611,621
Lease liabilities	9	4,047	23,713	459,104	163,473	2,715	653,061
Bonds payable	5,260	8,250	20,070,679	67,736,244	–	1,929,430	89,749,863
Long-term loans	97,932	140,805	1,567,969	365,129	–	11,234	2,183,069
Total	<u>191,857,250</u>	<u>11,810,363</u>	<u>49,142,216</u>	<u>68,617,240</u>	<u>163,473</u>	<u>23,041,947</u>	<u>344,632,489</u>
Net exposure	<u>(54,225,172)</u>	<u>33,693,886</u>	<u>75,742,273</u>	<u>13,371,091</u>	<u>745,971</u>	<u>29,162,883</u>	<u>98,490,932</u>



68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.3 Market risks – *continued*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. Assuming interest-bearing assets and liabilities outstanding at the end of the respective reporting period were outstanding for the whole period and other variables held constant, the analysis is to show the impact on profit before income tax and other comprehensive income before income tax due to a 100 basis points increase or decrease in the relevant interest rates. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax and a negative number indicates a decrease.

	2021 RMB' 000	2020 RMB' 000
Profit before income tax for the year		
Increase by 100bps	(556,128)	(529,967)
Decrease by 100bps	571,622	536,619
	2021 RMB' 000	2020 RMB' 000
Other comprehensive income before income tax		
Increase by 100bps	(1,954,160)	(1,393,872)
Decrease by 100bps	2,033,554	1,432,354

Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements in foreign exchange rates. The Group's currency risk primarily relates to the Group's operating activities, whose settlements and payments are denominated in foreign currencies different from the Group's functional currency, and its net investment in foreign subsidiaries. Currently, the Group's assets and liabilities denominated in foreign currencies only account for a small proportion of the Group's asset and liability structure, the currency risk of the Group is relatively manageable.

68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.3 Market risks – *continued*

Price risk

Price risk is primarily about the unfavourable changes of share price of equity investments, financial derivative instrument prices, and commodity prices that cause financial loss during the Group's on-balance and off-balance business. The Group is exposed to price risk which arises from price fluctuation of the financial assets at fair value through profit or loss and the financial assets at fair value through others comprehensive income, mainly including equity investments, shares (with share index included), funds and commodities and related financial derivative instruments such as swaps, futures and options. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly uses VaR, sensitivity indicators, stress testing indicators in the daily risk monitoring of price risk.

Sensitivity analysis

The analysis below is to show the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity securities, funds, convertible bonds, derivatives and collective asset management schemes by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax and a negative number indicates a decrease.

	2021 RMB' 000	2020 RMB' 000
Profit before income tax for the year		
Increase by 10%	2,277,836	1,154,533
Decrease by 10%	(1,895,349)	(1,132,195)
	2021 RMB' 000	2020 RMB' 000
Other comprehensive income before income tax		
Increase by 10%	81,776	1,154,508
Decrease by 10%	(81,776)	(1,154,508)



68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.4 Liquidity risk

Liquidity risk of a security company refers to the risk of failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay the debts as they fall due, perform other payment obligations and satisfy the capital requirements to carry out businesses in the ordinary course. During the Group's ordinary course of business, the triggers of liquidity risk include poor operations, the lack of asset liquidity, significant mismatch of asset and liability terms, limitation on financing channels, unreasonableness of the financing liability term structure, insufficiency of market liquidity, adverse impacts on the Group's reputation and effects of other risk types to liquidity risk. Liquidity risk events have strong diffusion and are wide spread. Once liquidity risk events occur, the Group must respond in a short time to make emergency decisions and disposal.

As at 31 December 2021 and 31 December 2020, cash and bank deposits and clearing settlement funds held by the Group amounted to RMB141.76 billion and RMB117.00 billion, respectively; and financial assets such as monetary funds, government bonds and short-term financing bills amounted to RMB56.90 billion and RMB26.61 billion, respectively, providing a strong capability of quick liquidation to meet the foreseeable demands on financing liabilities and businesses. Therefore, the Group considers the exposure to liquidity risk to be insignificant.

The Group implements stable liquidity risk preference management strategy to guarantee that the Company will have adequate liquidity reserve and fundraising capability under normal circumstances and in stress scenarios through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency disposal and monitoring and pre-warning about the liquidity risk index to prevent liquidity risk. Measures for liquidity risk management include the following: the Group established a frame for liquidity risk management with the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as the core indicator strictly according to the requirements of *Guidelines for the Liquidity Risk Management of Listed Companies* 《證券公司流動性風險管理指引》, and based on the control and projection of LCR and NSFR, each of the operational activities is assured to be complied with the requirements of liquidity risk as stated in the regulatory requirements; asset allocation and arrangement of structure of assets and liabilities based on flexible adjustments to prevent the Company from risk of maturity mismatch; established a multiple system of quality assets with ongoing control and maintained an adequate liquidity reserve; constructed a system for risk limits, which includes capital leverage, maturity structure and concentration of financial liabilities and liquidity reserve, and performed routine monitoring and report on indicators; regularly or irregularly evaluated liquidity risk stress testing and carried out liquidity risk drill, optimized and perfected liquidity risk emergency disposal processes and mechanism of the Company.

68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.4 Liquidity risk – *continued*

Currently, the Group has set up two departments for liquidity risk management, namely the treasury department and risk management department. The treasury department is mainly responsible for coordinating sources of funds, addressing capital needs, formulating and optimising financial strategies, implementing liquidity management during daytime and taking initiative to prevent liquidity risks. The risk management department is responsible for performing independent identification, evaluation, measuring and monitoring of liquidity risks of the Group together with management of market risks and credit risks, and paying attention on an ongoing basis to the conversion of other types of risk to liquidity risk. The Group uses concentration control, trading limit control and monitoring the market liquidity of financial instruments held by Group to address the liquidity risk of financial instruments. In order to meet the regulatory requirements, the Group has set up a multi-level, omni-directional and information-based management system to monitor and control the overall liquidity risk.

Undiscounted cash flows by contractual maturities

The tables below present the cash flows payable by the Group within the remaining contractual maturities as at 31 December 2021 and 31 December 2020. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is based on the interest rate at the end of the year.


 68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

 68.4 Liquidity risk – *continued*
Undiscounted cash flows by contractual maturities – continued
As at 31 December 2021

	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Borrowings	-	865,968	52,446	-	-	918,414	916,545
Short-term financing payables	-	9,195,980	19,016,501	-	-	28,212,481	27,876,760
Due to banks and other financial institutions	1,799,653	9,851,036	-	-	-	11,650,689	11,617,488
Accounts payable to brokerage clients	126,508,667	222,430	-	-	-	126,731,097	126,731,097
Other financial liabilities	7,271,918	2,585,475	1,776,762	104,303	-	11,738,458	11,730,844
Amounts due to associates	14,758	-	-	-	-	14,758	14,758
Amounts due to joint ventures	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	3,017,658	3,207,172	2,357,366	-	-	8,582,196	8,577,682
Other liabilities	396,660	-	733,838	1,115,223	-	2,245,721	2,245,721
Financial assets sold under repurchase agreements	-	74,959,886	6,325,624	-	-	81,285,510	81,230,200
Bonds payable	-	37,490,612	26,947,583	75,301,034	7,320,954	147,060,183	138,682,932
Lease liabilities	-	79,145	222,428	584,991	30,436	917,000	841,758
Long-term loans	-	104,315	180,146	66,329	-	350,790	338,675
Total	139,009,314	138,562,019	57,612,694	77,171,880	7,351,390	419,707,297	410,804,460
Derivative financial liabilities net settlement	-	391,797	495,086	94,563	-	981,446	981,099

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68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.4 Liquidity risk – *continued*

Undiscounted cash flows by contractual maturities – continued

As at 31 December 2020

	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Borrowings	–	2,218,101	347,687	–	–	2,565,788	2,552,786
Short-term financing payables	–	11,472,375	24,178,446	–	–	35,650,821	35,008,179
Due to banks and other financial institutions	2,110,620	4,011,247	–	–	–	6,121,867	6,121,286
Accounts payable to brokerage clients	102,278,405	662,700	–	–	–	102,941,105	102,941,105
Other financial liabilities	2,335,988	2,317,175	270,882	59,939	–	4,983,984	4,968,189
Amounts due to associates	246	3,392	–	–	–	3,638	3,638
Amounts due to joint ventures	–	–	59,377	–	–	59,377	59,377
Financial liabilities at fair value through profit or loss	2,185,324	–	1,310,407	83,684	–	3,579,415	3,579,415
Other liabilities	139,350	–	1,118,364	728,198	–	1,985,912	1,985,912
Financial assets sold under repurchase agreements	–	90,908,437	3,771,119	–	–	94,679,556	94,611,621
Bonds payable	–	1,632,033	21,923,994	71,780,947	–	95,336,974	89,749,863
Lease liabilities	–	67,841	170,135	439,820	40,126	717,922	653,061
Long-term loans	–	258,428	1,605,086	382,668	–	2,246,182	2,183,069
Total	109,049,933	113,551,729	54,755,497	73,475,256	40,126	350,872,541	344,417,501
Derivative financial liabilities net settlement	–	126,862	86,093	2,620	517	216,092	214,987



68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.4 Liquidity risk – *continued*

Capital management

The Group’s objectives of capital management are:

- To safeguard the Group’s ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group’s stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with the Administrative Measures for Risk Control Indicators of Securities Companies (Revised in 2020) (the “Administrative Measures”) issued by the China Securities Regulatory Commission (“CSRC”), the Company is required to meet the following standards for risk indicators on a continual basis:

1. Risk coverage ratio (net capital divided by the total risk capital reserves) shall be no less than 100%;
2. Capital leverage ratio (core net capital divided by total on-and-off-balance sheet and off-balance-sheet assets) shall be no less than 8%;
3. Liquidity coverage ratio (high quality liquidity assets divided by net cash outflow in 30 days) shall be no less than 100%;
4. Net stable funding ratio (the available amount of stable funding divided by the required amount of stable funding) shall be no less than 100%;
5. The ratio of net capital divided by net assets shall be no less than 20%;
6. The ratio of net capital divided by liabilities shall be no less than 8%;
7. The ratio of net assets divided by liabilities shall be no less than 10%;
8. The ratio of the value of proprietary equity securities and securities derivatives held divided by net capital shall not exceed 100% (“equity concentration ratio”); and
9. The ratio of the value of proprietary non-equity securities and securities derivatives divided by net capital shall not exceed 500% (“non-equity concentration ratio”).

68. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

68.4 Liquidity risk – *continued*

Capital management – continued

Net capital refers to net assets minus risk adjustments on certain types of assets and liabilities, and add supplemented capital and other adjustments as defined in the Administrative Measures.

As at 31 December 2021 and 2020, the Company maintained the above ratios as follows:

	As at 31.12.2021	As at 31.12.2020
Net capital (RMB' 000)	66,166,929	64,897,184
Risk coverage ratio	197.71%	197.62%
Capital leverage ratio	16.03%	18.24%
Liquidity coverage ratio	238.90%	206.96%
Net stable funding ratio	163.37%	179.15%
The ratio of net capital divided by net assets	72.02%	75.90%
The ratio of net capital divided by liabilities	23.88%	27.79%
The ratio of net assets divided by liabilities	33.16%	36.61%
Equity concentration ratio	49.57%	35.33%
Non-equity concentration ratio	290.54%	243.89%

The above ratios are calculated based on the financial statements prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC.

Certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

The capital of the Group mainly comprises its total equity.



69. FAIR VALUES OF FINANCIAL INSTRUMENTS

(1) Fair value hierarchy

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

Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities than the entity can access at the measurement date

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs are unobservable inputs for the asset or liability

There were no significant transfers between Level 1 and 2 as at 31 December 2021 and 31 December 2020.

69. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

 (1) Fair value hierarchy – *continued*

As at 31 December 2021

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
Financial assets:				
Debt instruments at fair value through other comprehensive income:				
– Debt securities	–	110,475,096	–	110,475,096
Equity instruments at fair value through other comprehensive income:				
– Equity instruments	799,982	–	66,881	866,863
– Other investments	–	5,929	–	5,929
Financial assets at fair value through profit or loss				
– Equity instruments	16,195,573	3,264,064	8,984,901	28,444,538
– Debt instruments	2,526,940	28,348,943	4,412,333	35,288,216
– Mutual funds	49,897,152	467,680	–	50,364,832
– Other investments	–	8,124,027	2,242,799	10,366,826
Other investment:				
– Unlisted investment in an associate	–	–	8,202	8,202
Derivative financial assets	78,606	380,385	105,502	564,493
Total	69,498,253	151,066,124	15,820,618	236,384,995
Financial liabilities:				
Financial liabilities at fair value through profit or loss	–	207,121	–	207,121
Financial liabilities designated at fair value through profit or loss	–	4,988,742	3,381,819	8,370,561
Derivative financial liabilities	93,577	509,096	378,426	981,099
Other liabilities	55,043	612,982	1,577,696	2,245,721
Total	148,620	6,317,941	5,337,941	11,804,502


69. FAIR VALUES OF FINANCIAL INSTRUMENTS – continued
(1) Fair value hierarchy – continued

As at 31 December 2020

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
Financial assets:				
Debt instruments at fair value through other comprehensive income:				
– Debt securities	45,003,995	74,894,661	283,725	120,182,381
Equity instruments at fair value through other comprehensive income:				
– Equity instruments	713,357	–	92,228	805,585
– Other investments	–	10,819,493	–	10,819,493
Financial assets at fair value through profit or loss				
– Equity instruments	5,277,102	2,129,215	9,024,132	16,430,449
– Debt instruments	7,878,955	15,494,169	300,796	23,673,920
– Mutual funds	20,680,423	14,308	–	20,694,731
– Other investments	–	6,661,854	236,440	6,898,294
Other investment:				
– Unlisted investment in an associate	–	–	45,266	45,266
Derivative financial assets	121,532	33,003	48,831	203,366
Total	79,675,364	110,046,703	10,031,418	199,753,485
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
	–	(77,440)	(562,911)	(640,351)
Financial liabilities designated at fair value through profit or loss				
	–	(2,659,149)	(279,915)	(2,939,064)
Derivative financial liabilities	(92,219)	(31,253)	(91,515)	(214,987)
Other liabilities	(48,396)	(246,290)	(1,691,226)	(1,985,912)
Total	(140,615)	(3,014,132)	(2,625,567)	(5,780,314)

69. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

(2) Fair values of the financial assets and financial liabilities that are not measured on a recurring basis

The fair values of financial assets and financial liabilities not measured at fair value on a recurring basis are estimated using the discounted cash flow method.

Except for the financial liabilities disclosed below, the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate to their fair values as at 31 December 2021 and 31 December 2020.

	As at 31 December 2021			Fair value hierarchy
	Carrying amount	Fair value	Difference	
	RMB' 000	RMB' 000	RMB' 000	
Bonds payable – corporate bonds	123,243,857	123,608,515	364,658	Level 1
Bonds payable – subordinated bonds	8,791,830	8,832,055	40,225	Level 1
Bonds payable – financial bond	5,079,626	5,105,145	25,519	Level 2

	As at 31 December 2020			Fair value hierarchy
	Carrying amount	Fair value	Difference	
	RMB' 000	RMB' 000	RMB' 000	
Bonds payable – corporate bonds	70,589,507	70,550,239	39,268	Level 1
Bonds payable – subordinated bonds	13,421,220	13,295,371	125,849	Level 1
Bonds payable – financial bond	5,077,960	5,099,780	21,820	Level 1

(3) Basis for recurring fair value measurement categorised within Level 1

For the measurement within Level 1, the Group adopts the closing price in active markets.



69. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

(4) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised within Level 2

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose values are available on the China bond pricing system on the valuation date, the fair values are measured using the latest valuation results published by the China bond pricing system.

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose values are not available in active markets, equity instruments at fair value through profit or loss, asset management schemes, the fair values are determined by recent transaction prices, bid prices and valuation technique. The inputs of those valuation techniques include the risk-free interest rate, quoted prices of underlying investment portfolio, liquidity discount by the China Securities Index Company Limited, etc., which are all observable.

For derivative financial instruments, the fair value are determined by different valuation techniques. For interest rate swaps and currency forward contracts, the fair values are measured by discounting the differences between the contract prices and market prices of the underlying financial instruments. For commodity options, currency swaps and currency options, the fair values are measured using the bid prices made by market dealers.

During the year ended 31 December 2021, there were no significant changes of valuation techniques for Level 2.

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3

For instruments, such as restricted shares, unlisted equity investments, other investments, financial liabilities, derivatives, the Group adopts the valuation techniques and quotation from counterparty quotations or valuation techniques to determine the fair values. Valuation techniques include a discounted cash flow analysis, discounted bid prices, market multiples, the risk pricing model, the Black Scholes model, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, probability of default, loss given default, volatility and liquidity discount. Fair value change resulting from changes in the unobservable inputs was not significant. The fair values of the financial instruments in Level 3 are not significantly sensitive to a reasonable change in these unobservable inputs.

During the year ended 31 December 2021, there were no significant changes of valuation techniques for Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

69. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

The quantitative information of fair value measurement for level 3 is as follows:

Financial assets/ financial liabilities	Fair value as at		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	31 December 2021 RMB' 000	31 December 2020 RMB' 000			
1) Financial assets					
Debt instruments	–	41,952	Discounted cash flows with future cash flows that are estimated based on the host contractual terms discounted at a rate that reflects the credit risk of counterparty, and the value of the option	Credit risk spread; The value of the option	The higher the credit risk spread, the lower the fair value; The higher the value of the option, the higher the fair value
Debt instruments	4,412,333	542,569	Discounted cash flows calculated based on the probability of default (the probability of the underlying asset not achieving an agreed result), loss given default and expected loss	Probability of default; Future cash flow	The higher the probability, the lower the fair value; The higher the future cash flow, the higher the fair value
Equity instruments	3,976,997	3,119,340	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability	Discount for lack of marketability	The higher the discount, the lower the fair value
Equity instruments	2,999,269	5,997,020	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
Equity instruments	1,954,120	–	Net Value Model. Net value of the underlying investment	The net value of the underlying investment	The higher the net value of the underlying investment, the higher the fair value
Equity instruments	121,396	–	Recent transaction price	Discount for lack of marketability	The higher the discount, the lower the fair value
Equity return swaps/ Equity options	92,962	22,894	Black Scholes Model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value


 69. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

 (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

Financial assets/ financial liabilities	Fair value as at		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	31 December 2021 RMB' 000	31 December 2020 RMB' 000			
Commodity options	613	22,685	Black Scholes Model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Structured notes	11,655	3,252	Risk Pricing Model. Volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Other investments	668,470	102,384	Discounted cash flows calculated based on the loss given default	Loss given default	The higher the loss given default, the lower the fair value
Other investments	1,574,329	134,056	Net Value Model. Net value of the underlying investment	The net value of the underlying investment	The higher the net value of the underlying investment, the higher the fair value
Currency swaps	272	–	Quotation price	Quotation price	The higher the quotation price, the higher the fair value
Unlisted investment in an associate	8,202	45,266	Market multiples	Discount for lack of marketability	The higher the discount, the lower the fair value
	<u>15,820,618</u>	<u>10,031,418</u>			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

69. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

(5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

Financial assets/ financial liabilities	Fair value as at		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input to fair value
	31 December 2021 RMB'000	31 December 2020 RMB'000			
2) Financial liabilities					
Equity return swaps	–	562,911	Calculated based on the fair value of the underlying equity instruments	The fair value of the underlying equity instruments	The higher the fair value of the underlying equity instruments, the higher the fair value
Equity return swaps/ Equity options	354,245	74,856	Black Scholes Model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Structured notes	2,333,512	128,644	Risk Pricing Model. Volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Structured notes	1,055,623	156,754	Net Value Model. Net value of the underlying investment	The net value of the underlying investment	The higher the net value of the underlying investment, the higher the fair value
Commodity options	15,973	11,176	Black Scholes Model. Exercise price and volatility of the underlying investment	The volatility of the underlying investment	The higher the volatility of the underlying investment, the higher the fair value
Currency Swaps	892	–	Quotation price	Quotation price	The higher the quotation price, the higher the fair value
Third-party interests	1,577,696	1,691,226	Net Value Model. Net value of the underlying investment	The net value of the underlying investment	The higher the net value of the underlying investment, the higher the fair value
	<u>5,337,941</u>	<u>2,625,567</u>			


 69. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

(6) Reconciliation of Level 3 fair value measurements

For the year ended 31 December 2021

	Financial assets at fair value through profit or loss RMB' 000	Financial assets at fair value through other comprehensive income RMB' 000	Financial liabilities at fair value through profit or loss RMB' 000	Derivative financial assets RMB' 000	Derivative financial liabilities RMB' 000	Other liabilities RMB' 000
At 1 January 2021	9,561,368	375,953	(842,826)	48,831	(91,515)	(1,691,226)
Total gains/losses	1,681,371	(25,347)	176,132	50,975	(172,809)	(210,694)
– Profit or loss	1,681,371	–	176,132	50,975	(172,809)	(210,694)
– Other comprehensive income	–	(25,347)	–	–	–	–
Additions	9,013,328	–	(3,175,892)	14,236	(121,723)	–
Settlements/disposals	(1,998,750)	(283,725)	460,767	(8,540)	7,621	324,224
Transfers into Level 3	1,232,890	–	–	–	–	–
Transfers out of Level 3	(3,850,174)	–	–	–	–	–
As at 31 December 2021	<u>15,640,033</u>	<u>66,881</u>	<u>(3,381,819)</u>	<u>105,502</u>	<u>(378,426)</u>	<u>(1,577,696)</u>
Total unrealised gains/losses for the year for assets/liabilities held as at 31 December 2021						
– Included in profit or loss	<u>(358,590)</u>	<u>–</u>	<u>176,132</u>	<u>50,975</u>	<u>(172,809)</u>	<u>(210,694)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

69. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

(6) Reconciliation of Level 3 fair value measurements – *continued*

For the year ended 31 December 2020

	Financial assets at fair value through profit or loss RMB' 000	Financial assets at fair value through other comprehensive income RMB' 000	Financial liabilities at fair value through profit or loss RMB' 000	Derivative financial assets RMB' 000	Derivative financial liabilities RMB' 000	Other liabilities RMB' 000
At 1 January 2020	8,316,622	443,300	(597,676)	16,095	(130,005)	(1,179,567)
Total gains/losses	1,116,391	(67,347)	191,254	36,601	(17,453)	(1,376,431)
– Profit or loss	1,116,391	–	191,254	36,601	(17,453)	(1,376,431)
– Other comprehensive income	–	(67,347)	–	–	–	–
Additions	455,959	–	(275,805)	12,230	(74,062)	–
Settlements/disposals	(974,877)	–	(160,599)	(16,095)	130,005	864,024
Transfers into Level 3	2,253,347	–	–	–	–	748
Transfers out of Level 3	(1,606,074)	–	–	–	–	–
As at 31 December 2020	<u>9,561,368</u>	<u>375,953</u>	<u>(842,826)</u>	<u>48,831</u>	<u>(91,515)</u>	<u>(1,691,226)</u>
Total unrealised gains/losses for the year for assets/liabilities held as at 31 December 2020						
– Included in profit or loss	<u>920,461</u>	<u>–</u>	<u>191,254</u>	<u>36,601</u>	<u>(17,453)</u>	<u>(1,376,431)</u>

Note: The equity securities traded on stock exchanges with lock-up periods and targeted asset management plans holding listed shares with lock-up periods were transferred from Level 3 to Level 1 when the lock-up periods lapsed and they became unrestricted.

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted equity instruments which are categorised into Level 3 of the fair value hierarchy.

70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY
General information of subsidiaries

Details of the Group's principal subsidiaries at the end of the year are set out below:

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2021	Principal activities
			2021	2020		
廣發期貨有限公司 GF Futures Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 23 March 1993	100%	100%	RMB1,900,000,000	Commodity futures brokerage, financial futures brokerage, investment consulting and asset management
廣發商貿有限公司 GF Commodities Co., Ltd.*	有限責任公司 Limited liability company	PRC 3 April 2013	100%	100%	RMB400,000,000	Trading and trading agent
廣發期貨(香港)有限公司 GF Futures (Hong Kong) Co., Limited	有限責任公司 Limited liability company	Hong Kong 8 May 2006	100%	100%	HKD1,021,000,000	Futures brokerage
GF Financial Markets (UK) Limited	有限責任公司 Limited liability company	United Kingdom 2 February 1976	100%	100%	GBP55,969,014	Commodities and futures brokerage
廣發乾和投資有限公司 GF Qianhe Investment Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 11 May 2012	100%	100%	RMB6,103,500,000	Project investment, investment management and financial advisory
廣發融資租賃(廣東)有限公司 Guangfa Financial Leasing (Guangdong) Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 5 June 2015	100%	100%	RMB800,000,000	Financial leasing
廣發基金管理有限公司 GF Fund Management Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 5 August 2003	54.53%	54.53%	RMB140,978,000	Fund raising, fund sales and fund management
廣發國際資產管理有限公司 GF International Investment Management Limited	有限責任公司 Limited liability company	Hong Kong 10 December 2010	54.53%	54.53%	HKD500,000,000	Asset management
瑞元資本管理有限公司 Ruiyuan Capital Asset Management Co., Ltd.*	有限責任公司 Limited liability company	PRC 14 June 2013	54.53%	29.11%	RMB75,000,000	Project investment, investment management and investment advisory

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70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2021	Principal activities
			2021	2020		
珠海瑞元祥和股權投資基金合夥企業 (有限合夥) Zhuhai Ruiyuan Xianghe Equity Investment Fund Partnership Enterprise L.P.* (Note 1)	有限合夥 Limited Partnership	PRC 9 April 2014	40.36%	21.55%	RMB22,069,764	Non-listed company investment
廣發控股(香港)有限公司 GF Holdings (Hong Kong) Corporation Limited ⁽¹⁾	有限責任公司 Limited liability company	Hong Kong 14 June 2006	100%	100%	HKD5,600,000,000	Investment holding
廣發投資(香港)有限公司 GF Investments (Hong Kong) Company Limited	有限責任公司 Limited liability company	Hong Kong 21 September 2011	100%	100%	HKD5,000,000	Investment holding
廣發融資(香港)有限公司 GF Capital (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD130,000,000	Advisory services
廣發資產管理(香港)有限公司 GF Asset Management (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD325,000,000	Asset management
廣發證券(香港)經紀有限公司 GF Securities (Hong Kong) Brokerage Limited	有限責任公司 Limited liability company	Hong Kong 14 July 2006	100%	100%	HKD2,800,000,000	Securities brokerage
廣發財富管理(香港)有限公司 GF Wealth Management (Hong Kong) Limited	有限責任公司 Limited liability company	Hong Kong 20 November 2014	100%	100%	HKD25,000,000	Financial management
廣發投資管理(香港)有限公司 GF Investment Management (Hong Kong) Company Limited	有限責任公司 Limited liability company	Hong Kong 7 October 2011	100%	100%	HKD3,800,000	Advisory services
廣發證券(加拿大)有限公司 GF Securities (Canada) Company Limited	有限責任公司 Limited liability company	Canada 10 March 2014	100%	100%	CAD16,400,000	Financial management


 70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

 General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2021	Principal activities
			2021	2020		
廣發信息諮詢服務(深圳)有限公司 GF Information Consulting Services (Shenzhen) Co., Ltd.	有限責任公司 Limited liability company	PRC 1 April 2014	100%	100%	RMB10,000,000	Investment advisory
GF Beacon Capital Management Ltd.	有限責任公司 Limited liability company	British Virgin Islands 3 September 2014	100%	100%	USD100	Investment management
廣發投資(開曼)有限公司 GF Investments (Cayman) Company Limited	有限責任公司 Limited liability company	Cayman Islands 8 September 2011	100%	100%	USD600,000	Advisory services
廣發全球資本有限公司 GF Global Capital Limited	有限責任公司 Limited liability company	Hong Kong 26 November 2015	100%	100%	HKD1,600,000,000	Investment trading
Canton Fortune Limited	有限責任公司 Limited liability company	Hong Kong 3 December 2015	100%	100%	USD6,510,410	Investment holding
GF GTEC INVESTMENT MANAGEMENT LIMITED	有限責任公司 Limited liability company	Cayman Islands 13 May 2016	100%	100%	USD100	Asset management
GF Optimus Ltd. ⁽²⁾	有限責任公司 Limited liability company	British Virgin Islands 26 February 2016	100%	100%	USD0	Equity Investment
GF Global Partners Ltd	有限責任公司 Limited liability company	Cayman Islands 31 August 2015	100%	100%	USD0.01	Investment holding
GFGL Limited	有限責任公司 Limited liability company	Cayman Islands 23 December 2016	100%	100%	USD0.01	Equity investment
GF Global Investment Fund I, L.P. (Note 1)	有限合夥 Limited partnership	Cayman Islands 25 September 2015	50.50%	50.50%	USD40,678,400	Equity investment
Horizon Holdings	有限責任公司 Limited liability company	Cayman Islands 7 July 2017	36.86%	36.86%	USD1	Investment holding

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70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2021	Principal activities
			2021	2020		
廣發信德投資管理有限公司 GF Xinde Investment Management Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 3 December 2008	100%	100%	RMB2,800,000,000	Investment management and provision of equity investment services for customers
珠海廣發信德新界泵業產業投資基金(有限合夥) GFXD Shimage Pump Industry Fund L.P.* (Note 1)	有限合夥 Limited partnership	PRC 11 July 2015	40%	40%	RMB53,713,723	Equity investment
珠海廣發信德放東醫藥產業股權投資中心(有限合夥) Zhuhai GF Xinde Aodong Medical Industry Equity Investment Centre L.P.* (Note 1)	有限合夥 Limited partnership	PRC 28 October 2015	60%	60%	RMB323,930,656	Equity investment
中山廣發信德公用環保夾層投資企業(有限合夥) Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Partnership L.P.* (Note 1)	有限合夥 Limited partnership	PRC 30 September 2015	60%	60%	RMB249,033,410	Equity investment
珠海廣發信德今緣股權投資基金(有限合夥) Zhuhai GF Xinde Jinyuan Equity Investment Fund L.P.* (Note 1)	有限合夥 Limited partnership	PRC 13 June 2016	50%	60%	RMB182,187,500	Equity investment
廣發証券資產管理(廣東)有限公司 GF Securities Asset Management (Guangdong) Co., Ltd.* ⁽¹⁾	有限責任公司 Limited liability company	PRC 2 January 2014	100%	100%	RMB1,000,000,000	Asset management


 70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

 General information of subsidiaries – *continued*

Name of principal subsidiary	Type of legal entity registered	Place and date of incorporation/ establishment	Effective equity interest held by the Group as at 31 December		Share capital/ registered and paid-up capital as at 31 December 2021	Principal activities
			2021	2020		
GF Canada Holdings Company Limited	Limited liability company	Canada 26 February 2018	100%	100%	CAD4,560,266	Investment holding
GF Asset Management (Canada) Company Limited	Limited liability company	Canada 26 February 2018	100%	100%	CAD3,000,000	Asset management
Ever Glory Limited	Limited liability company	Cayman Islands 23 January 2018	100%	100%	USD1	Investment trading
Ever Alpha Fund L.P. (Note 1)	Limited partnership	Cayman Islands 23 January 2018	21.43%	21.43%	USD70,000,000	Equity Investment
GF Financial Holdings BVI Ltd.	Limited liability company	British Virgin Islands 21 January 2021	100%	–	USD1	Financing

* These subsidiaries do not have official English names. English names are translated for identification purposes only.

(1) These subsidiaries are directly held by the Company.

(2) The capital injections are still in the process.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. The major operation area of the principal subsidiaries is in the Mainland China.

Note 1: The Group holds certain financial interests in such limited partnership and acts as its general partner to exercise control over its operations according to the partnership agreement. The Group's financial interests in the limited partnership expose the Group to significant variable return and such partnership is regarded as a consolidated structured entity of the Group. The effective equity interest in the subsidiary represents the equity interest held directly or indirectly by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

Details of a non-wholly-owned subsidiary that has material non-controlling interests

The table below shows the details of a non-wholly-owned subsidiary, GF Fund, which was acquired in 2014, and has material non-controlling interests before certain intragroup adjustments:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Non-controlling interests as at	
		2021	2020	2021	2020	31.12.2021	31.12.2020
				RMB' 000	RMB' 000	RMB' 000	RMB' 000
GF Fund ⁽ⁱ⁾	PRC/Mainland China	<u>45.47%</u>	<u>45.47%</u>	<u>1,176,279</u>	<u>709,409</u>	<u>4,156,102</u>	<u>3,939,127</u>

(i) GF Fund was accounted for as an associate of the Group prior to its acquisition by the Group in 2014.

Summarised financial information in respect of GF Fund that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup adjustments.

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Total assets	<u>14,943,851</u>	<u>12,520,402</u>
Total liabilities	<u>5,803,535</u>	<u>3,721,985</u>
Equity attributable to owners of GF Fund	<u>9,140,316</u>	<u>8,663,133</u>
Non-controlling interests of subsidiaries of GF Fund	<u>–</u>	<u>135,284</u>


 70. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY – *continued*

 Details of a non-wholly-owned subsidiary that has material non-controlling interests – *continued*

	Year ended 31 December 2021 RMB' 000	Year ended 31 December 2020 RMB' 000
Total revenue	<u>9,081,816</u>	<u>6,181,982</u>
Expenses	<u>5,943,018</u>	<u>3,870,888</u>
Profit for the year	<u>2,607,339</u>	<u>1,823,944</u>
Profit attributable to owners of GF Fund	<u>2,586,934</u>	1,800,074
Profit attributable to the non-controlling interests of GF Fund	<u>20,405</u>	23,870
Profit for the year	<u>2,607,339</u>	<u>1,823,944</u>
Other comprehensive income attributable to owners of GF Fund	<u>(15,304)</u>	<u>(22,078)</u>
Other comprehensive income for the year	<u>(15,304)</u>	<u>(22,078)</u>
Total comprehensive income attributable to owners of GF Fund	<u>2,571,630</u>	1,777,996
Total comprehensive income attributable to the non-controlling interests of GF Fund	<u>20,405</u>	23,870
Total comprehensive income for the year	<u>2,592,035</u>	<u>1,801,866</u>
Dividends paid to non-controlling interests of GF Fund	<u>882,023</u>	<u>350,000</u>
Net cash inflow from operating activities	<u>2,098,545</u>	1,639,345
Net cash outflow from investing activities	<u>(37,884)</u>	(1,200,374)
Net cash outflow from financing activities	<u>(2,230,915)</u>	(79,985)
Effect of foreign exchange rate changes	<u>(2,633)</u>	<u>(8,976)</u>
Net cash inflow	<u>(172,887)</u>	<u>350,010</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

71. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings	Short-term financing payables	Bonds payable	Long-term loans	Dividends payable
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
	(Note 43)	(Note 44)	(Note 53)	(Note 54)	
At 1 January 2021	2,552,786	35,008,179	89,749,863	2,183,069	–
Financing cash flows	(1,683,976)	(8,265,402)	44,940,677	(1,888,164)	(4,277,944)
Foreign exchange	(38,466)	–	(27,331)	(14,821)	(4)
Interest expenses	77,701	1,133,983	4,069,723	55,651	–
Other non-cash movements	8,500	–	(50,000)	2,940	–
Dividend declared	–	–	–	–	4,334,871
At 31 December 2021	<u>916,545</u>	<u>27,876,760</u>	<u>138,682,932</u>	<u>338,675</u>	<u>56,923</u>

	Borrowings	Short-term financing payables	Bonds payable	Long-term loans	Dividends payable
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
	(Note 43)	(Note 44)	(Note 53)	(Note 54)	
At 1 January 2020	1,038,013	14,880,673	82,679,653	3,533,362	–
Financing cash flows	1,500,391	19,355,583	3,429,879	(1,426,409)	(3,032,894)
Foreign exchange	(111,980)	–	–	(61,914)	–
Interest expenses	124,862	771,923	3,577,931	134,599	–
Other non-cash movements	1,500	–	62,400	3,431	–
Dividend declared	–	–	–	–	3,032,894
At 31 December 2020	<u>2,552,786</u>	<u>35,008,179</u>	<u>89,749,863</u>	<u>2,183,069</u>	<u>–</u>



72. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Non-current assets		
Property and equipment	2,874,467	2,950,326
Right-of-use assets	951,687	910,196
Investment properties	36,301	16,593
Other intangible assets	254,307	187,370
Investments in subsidiaries	19,571,337	16,443,143
Investments in associates	1,198,948	1,198,948
Investments in joint ventures	975,495	984,308
Equity instruments at fair value through other comprehensive income	834,379	11,577,082
Financial assets held under resale agreements	1,411,423	1,858,547
Financial assets at fair value through profit or loss	2,537,851	1,373,780
Deferred tax assets	1,192,623	836,530
Total non-current assets	<u>31,838,818</u>	<u>38,336,823</u>
Current assets		
Debt instruments at amortised cost	43,571	301,382
Debt instruments at fair value through other comprehensive income	110,435,962	119,319,241
Advances to customers	94,302,245	83,472,357
Accounts receivable	2,050,781	1,164,329
Other accounts receivable, other receivables and prepayments	312,267	236,306
Amounts due from subsidiaries	2,642,889	1,573,629
Amounts due from associates	37,017	25,817
Financial assets held under resale agreements	18,014,127	14,849,228
Financial assets at fair value through profit or loss	88,254,131	38,463,934
Derivative financial assets	543,636	157,486
Deposits with exchanges and non-bank financial institutions	1,839,092	2,203,562
Clearing settlement funds	24,614,658	17,559,636
Bank balances	86,438,517	76,971,739
Total current assets	<u>429,528,893</u>	<u>356,298,646</u>
Total assets	<u>461,367,711</u>	<u>394,635,469</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

72. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

Statement of financial position – *continued*

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Current liabilities		
Short-term financing payables	27,876,760	35,008,179
Financial liabilities at fair value through profit or loss	6,122,190	2,062,163
Due to banks and other financial institutions	9,817,836	4,010,666
Accounts payable to brokerage clients	95,128,720	77,832,618
Accrued staff costs	3,430,891	3,330,571
Other accounts payable, other payables and accruals	7,790,976	3,485,134
Contract liabilities	31,057	38,752
Amounts due to subsidiaries	559,123	27,599
Provisions	34,343	34,850
Current tax liabilities	447,946	399,612
Derivative financial liabilities	951,259	201,626
Financial assets sold under repurchase agreements	79,724,867	92,653,144
Bonds payable	62,296,561	22,009,246
Lease liabilities	184,561	166,891
Total current liabilities	<u>294,397,090</u>	<u>241,261,051</u>
Net current assets	<u>135,131,803</u>	<u>115,037,595</u>
Total assets less current liabilities	<u>166,970,621</u>	<u>153,374,418</u>
Non-current liabilities		
Financial liabilities at fair value through profit or loss	–	123,161
Accrued staff costs	2,943,499	1,917,766
Bonds payable	74,476,415	67,740,617
Lease liabilities	420,648	373,394
Total non-current liabilities	<u>77,840,562</u>	<u>70,154,938</u>
Net assets	<u>89,130,059</u>	<u>83,219,480</u>


72. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued
Statement of financial position – continued

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Capital and reserves		
Share capital	7,621,088	7,621,088
Other equity instruments	1,000,000	–
Capital reserve	31,681,095	31,681,095
Investment revaluation reserve	1,236,741	1,126,377
General reserves	24,047,084	21,438,356
Retained profits	23,544,051	21,352,564
	<u>89,130,059</u>	<u>83,219,480</u>
Total equity	<u>89,130,059</u>	<u>83,219,480</u>

Movements in the Company's reserves
Capital reserve
As at 31 December 2021

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Share premium	31,679,003	–	31,679,003
Others	2,092	–	2,092
	<u>31,681,095</u>	<u>–</u>	<u>31,681,095</u>

As at 31 December 2020

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Share premium	31,679,003	–	31,679,003
Others	181	1,911	2,092
	<u>31,679,184</u>	<u>1,911</u>	<u>31,681,095</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

72. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

Movements in the Company's reserves (*Continued*)

Capital reserve (Continued)

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
Investment revaluation reserve		
At the beginning of the year	1,126,377	1,100,572
Equity instruments at fair value through other comprehensive income:		
Revaluation (losses)/gains on equity instruments at fair value through other comprehensive income	(432,403)	238,250
Income tax impact	108,102	(59,563)
Debt instruments at fair value through other comprehensive income:		
Net fair value changes during the year	902,050	(80,093)
Reclassification adjustment to profit or loss on disposal	(310,180)	(267,252)
Changes in allowance for expected credit losses	(12,318)	143,502
Income tax impact	(144,887)	50,961
At the end of the year	<u>1,236,741</u>	<u>1,126,377</u>

General reserve

As at 31 December 2021

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Statutory reserve	6,894,040	869,168	7,763,208
Discretionary reserve	169,428	–	169,428
Reserve for general risk	7,288,322	870,392	8,158,714
Transaction risk reserve	7,086,566	869,168	7,955,734
	<u>21,438,356</u>	<u>2,608,728</u>	<u>24,047,084</u>


72. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – continued
Movements in the Company's reserves – continued
General reserve (Continued)
As at 31 December 2020

	Opening RMB' 000	Addition RMB' 000	Closing RMB' 000
Statutory reserve	6,160,001	734,039	6,894,040
Discretionary reserve	169,428	–	169,428
Reserve for general risk	6,553,692	734,630	7,288,322
Transaction risk reserve	6,352,527	734,039	7,086,566
	<u>19,235,648</u>	<u>2,202,708</u>	<u>21,438,356</u>

Retained profits

	As at 31.12.2021 RMB' 000	As at 31.12.2020 RMB' 000
At the beginning of the year	21,352,564	19,129,157
Profit for the year	8,229,704	7,093,496
Appropriation to general reserves	(2,608,728)	(2,202,708)
Dividends recognised as distribution	(3,429,489)	(2,667,381)
At the end of the year	<u>23,544,051</u>	<u>21,352,564</u>

73. OUTSTANDING LITIGATIONS

As at 31 December 2021, the Group was involved as a defendant in certain lawsuits and arbitration with claim amounts of approximately RMB769.21 million and certain listed company shares for distribution in-kind (31 December 2020: RMB74.92 million). Based on the court rulings, advice from legal representatives and management judgement, no provision had been made to the aforesaid claims. The Group is of the opinion the above lawsuits will not have a significant impact on the Group's financial position and operations.

74. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (1) On 11 February 2022, the Company completed the issuance of 364-day short-term financing bill 22GFCP001 (Security Code: 072210017) amounting to RMB3.00 billion, with an annual interest rate of 2.47%.
- (2) On 14 March 2022, the Company completed the issuance of 351-day short-term financing bill 22GFCP002 (Security Code: 072210040) amounting to RMB3.00 billion, with an annual interest rate of 2.62%.
- (3) On 25 March 2022, the Company completed the issuance of 159-day short-term financing bill 22GFCP003 (Security Code: 072210051) amounting to RMB3.00 billion, with an annual interest rate of 2.51%.
- (4) In accordance with the 2021 profit distribution plan approved by the board of directors on 30 March 2022, the Company proposed cash dividends of RMB5.00 per 10 shares (inclusive of tax) to shareholders based on the number of shares held as at the record date. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

75. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2022.

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GF SECURITIES

廣發證券股份有限公司