

2022
GTJA

ANNUAL REPORT

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

Important Notice

I. The Board, Supervisory Committee, Directors, supervisors and senior management of the Company warrant that the contents of this annual report are true, accurate and complete, without any misrepresentation, misleading statements or material omissions, and severally and jointly bear the legal responsibilities thereof.

II. The Absent Directors

| Positions held by the absent directors | Names of the absent directors | Reasons given by the absent directors | Names of proxies |
|---|--------------------------------------|--|-------------------------|
| Non-executive Director | ZHANG Zhan | Business engagement | WANG Wenjie |
| Independent non-executive Director | CHAI Hongfeng | Business engagement | LI Renjie |

III. The Company's domestic and international annual financial reports have been audited by KPMG Huazhen LLP and KPMG respectively, and a standard unqualified audit report has been issued respectively.

IV. HE Qing, the person in charge of the Company, and NIE Xiaogang, the person in charge of accounting affairs and DONG Boyang, the person in charge of the accounting department (head of the accounting department) of the Company, warrant the truthfulness, accuracy and completeness of the financial statements contained in this report.

V. The profit distribution proposal or the proposal on transfer of the capital reserve fund into capital, within the Reporting Period, was approved by the Board.

Based on the total share capital of the Company recorded on the date of the dividend distribution, the Company shall distribute cash dividends of RMB5.3 (tax included) for every 10 shares to holders of A Shares and holders of H Shares.

As the conversion period for the A Share convertible corporate bonds issued by the Company in July 2017 began on 8 January 2018, the total share capital of the Company recorded on the date of dividend distribution for holders of A Share cannot be currently ascertained. Based on the total share capital of the Company, being 8,906,672,636 Shares on 31 December 2022, the total amount of the cash dividends to be distributed is RMB4,720,536,497, accounting for 41.02% of the consolidated net profit attributable to equity holders of the Company for 2022. The proposal for profit distribution of the Company in 2022 has been passed in the 8th meeting of the sixth session of the Board of the Company, subject to the consideration in the general meeting of the Company.

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

Applicable Not applicable

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

Important Notice

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

No

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

No

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

No

X. Major risk warning

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

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

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

XI. Others

Applicable Not applicable

Chairman's Statement

MOUNTAINS AND SEAS ARE NEVER TOO FAR AWAY FOR DREAM CHASERS

The year 2022 is extremely unusual and extraordinary. The 20th National Congress of the Communist Party of China was convened successfully, drawing a grand blueprint for building a modern socialist nation from all aspects. As Chinese-style modernization started sailing, the comprehensive and deepening reforms of the capital market were also accelerated, and Guotai Junan has been striving to move forward in the waves of China's economic development.

In 2019, we actively seized the comprehensive reform pilot opportunity of regional state-owned assets and state-owned enterprises in Shanghai and proposed the development vision of "a prestigious modern investment bank with an overall leading position and international competitive edge" and the concept of a "Nine-Year Strategic Plan in 3 Three-Year Steps." Over the past three years, we have asserted our strategic self-confidence and made our moves carefully to implement our strategy, and our strategic blueprint turned into a better reality one step at a time. In 2022, we paid tribute to the Company's 30-year struggle by delivering the answer of high-quality development and achieve a successful conclusion of the "first three years".

Faced with the complex environment of multiple unexpected impacts and large fluctuations in the capital market, **we adhered to the principle of making progress while maintaining our strategic stance** and building on the three pillars of our core capabilities of "integrated service platform, leading digital technology and sound compliance culture", implementing "one company, one policy" to improve the subsidiary's professional services and risk prevention and control capabilities. We achieved an annual operating income of RMB35.5 billion and net profit attributable to the parent company of RMB11.5 billion for the year, and we have been awarded the highest regulatory rating of Class A Grade AA for 15 consecutive years, the highest rating for cultural construction in the industry for two consecutive years and the title of "Demonstration State-owned Enterprises for Corporate Governance" by the State-owned Assets Supervision and Administration Commission of the State Council, fully demonstrating the Company's good resilience in development and growth potential.

Facing the new opportunities brought by the deepening financial reforms and the high-quality development of the industry, **we maintained stability**, accelerated the transformation of our wealth management business to the 2.0 model "driven by investment and advisory and technology empowerment", and continuously improved the "1+N" service model for institutional customers, efforts were focused on building an "investment banking +" ecosystem, launching a new generation of Xinchuang distributed core trading system, realizing the control and consolidation of HuaAn Funds, establishing the Greater Bay Area Coordinated Development Committee and Qianhai Branch, and establishing the first securities branch in the Xiong'an New Area Free Trade Zone, and the advantages of the Company's comprehensive service platform have become increasingly prominent.

Chairman's Statement

Faced with the urgent need to unblock the blood stream of the real economy and accelerate the construction of a new development pattern, **we kept the “tasks mattering national economy and people's livelihood” in mind**, strived to become an “industrial investment bank, comprehensive investment bank and digital investment bank” and continuously improved the level of service to the real economy. Revenue from investment banking division and number of IPO issuers hit record highs. We have initiated the establishment of Lingang Technology Frontier Industrial Fund and Shanghai Urban Renewal Guide Fund, strive to be the first in stabilizing the macroeconomic market, promoting high level technological self-reliance and serving green and low-carbon development.

In light of a broad consensus on comprehensively promoting rural revitalization and promoting sustainable development, **we practiced finance for good** by donating a total of RMB40 million throughout the year to support the fight against COVID-19 pandemic in Shanghai, participating in the “Securities Industry Promoting Rural Revitalization Public Welfare Action”, assisting in the construction of Guotai Junan Hope Primary School, carrying out public welfare supplementary medical insurance and facilitating carbon emission reduction transactions. In actively fulfilling the social responsibilities of a state-owned enterprises, the Company created a characteristic brand of “finance for good” and won the first “Shanghai Charity Award”.

2023 is the first year to fully implement the spirit of 20th National Congress of the Communist Party of China. We will focus on the organic integration of “Chinese characteristics” and “the general rules of the capital market”, unswervingly follow the path of financial development with Chinese characteristics, fully develop the leading development advantages in “science and technology innovation finance, inclusive finance, regional finance, green finance, cross-border finance”, strive to be the best practicer in building a modern capital market with Chinese characteristics.

We strive to be the pioneer of “science and technology innovation finance”, fully take the professional advantages of the securities industry in serving various science and innovation enterprises, focus on issues such as “bottleneck” technological breakthroughs and “the growing pains” of science and technology innovation enterprises, integrate private equity investment, industry researching, investment banking, wealth management and other businesses, build an ecosystem of “open securities” to provide high-quality, full-chain and differentiated life-cycle service systems for science and technology innovation enterprises at different development stages, and promote a high-level cycle of capital, technology and industry.

We strive to be the pioneer of “inclusive finance”, take advantage of the Company's advantages of “nationwide branches and wide customer base coverage”, focus on the “generalization” and “benefits”, deepen the application of digital technology, optimize the customer base management system, improve product supply capabilities, help small, medium and micro enterprises solve their financing difficulties, enhance the investment and education service experience of “digitalization + sense of science and technology + immersion”, and explore the rural revitalization model of “inclusive + public welfare”, so that the development achievement will benefit the broad masses of the people.

Chairman's Statement

We strive to be the pioneer of “regional finance”, focus on major national and regional development strategies and adhere to the development concept of “differentiation, distinctiveness and efficiency”, optimize the layout of outlets, improve the coordination mechanism, deepen the main battlefield in Shanghai, deepen the integrated development in the Yangtze River Delta, accelerate the implementation of the Greater Bay Area strategy, build a new highland for high quality development of Beijing-Tianjin-Hebei Region, continuously improve the level of regional financial services to better facilitate the high-quality development of the regional economy.

We strive to be the leader of “green finance”, actively fulfill the social responsibilities of state-owned enterprises, strengthen the construction of top-level design and governance system, vigorously develop ESG investment and financing business and green financial innovation system, integrate ESG concept into the whole process of business and risk management, fully implement the Company's green operation, strongly demonstrate the international first-class ESG brand image.

We strive to be the new model of “cross-border finance”, actively seize major opportunities such as Interconnection 2.0 and promoting RMB internationalization in an orderly manner. We will optimize the layout of international outlets and deeply implement the integration of cross-border operation management, firmly support Chinese enterprises in “going global” and overseas institutions in “investing in China” and better serve the country to promote high-level institutional opening up.

Thirty-one years ago, Guotai Junan was born under the spring breeze of reform and opening up. Today, we are honored to serve the great process of Chinese-style modernization. We will arrive at the stars and the sea with the dream of mountains and seas never too far away. We are willing to use our effort and perseverance year after year to continuously demonstrate the mission of state-owned financial enterprises in the process of serving the high-quality development of the real economy, meeting residents' demand for wealth management, and building a modern capital market with Chinese characteristics.

Guotai Junan Securities Co., Ltd.

HE Qing

Chairman of the Board

29 March 2023

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

Section I Definitions

1. DEFINITIONS

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

Definitions of frequently-used terms

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

Section I Definitions

| | |
|---|---|
| Guotai Junan Innovation Investment | Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司) |
| Guotai Junan Zhengyu | Guotai Junan Zhengyu Investment Co., Ltd. (國泰君安證裕投資有限公司) |
| HuaAn Funds | HuaAn Funds Management Co., Ltd. (華安基金管理有限公司) |
| Shanghai Securities | Shanghai Securities Co., Ltd. (上海證券有限責任公司) |
| Guoxiang Properties | Shanghai Guoxiang Properties Co., Ltd. (上海國翔置業有限公司) |
| SPD Bank | Shanghai Pudong Development Bank (上海浦東發展銀行股份有限公司) |
| Shanghai Rural Commercial Bank | Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司) |
| Convertible Bonds/ A Share Convertible Bonds | the convertible corporate bonds (which can be converted into the Company's A Shares) amounting to RMB7 billion issued by the Company on 7 July 2017 and listed on SSE on 24 July 2017 |
| Company Law | the Company Law of the PRC |
| Securities Law | the Securities Law of the PRC |
| SSE Listing Rules | The Rules Governing the Listing of Stocks on the Shanghai Stock Exchange |
| Hong Kong Listing Rules | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| Model Code | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules |
| Corporate Governance Code | the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules |
| SFO | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| Reporting Period | the year of 2022 |
| Yuan | RMB Yuan |
| A Shares | domestic shares of the Company, with a nominal value of RMB1 each, which are listed on the Shanghai Stock Exchange and traded in RMB |
| H Shares | overseas listed foreign shares of the Company, with a nominal value of RMB1 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars |
| FICC | Fixed Income, Currencies and Commodities |
| Daohe APP | APP serving institutional customers |
| Jun Hong APP | APP serving retail customers |

Section II Company Profile and Key Financial Indicators

I. PROFILE

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

Registered Capital and Net Capital of the Company

Applicable Not applicable

Unit: yuan Currency: RMB

| | At the end of the Reporting Period | At the end of the last year |
|-------------------------------------|------------------------------------|-----------------------------|
| Registered Capital ^{Note1} | 8,906,671,631 | 8,907,947,954 |
| Net Capital | 92,874,565,553 | 95,023,119,722 |
| Share Capital ^{Note2} | 8,906,672,636 | 8,908,449,523 |

Note 1: In July 2022, upon the completion of industrial and commercial registration for the change of the registered capital, the Company's registered capital was changed from RMB8,907,947,954 to RMB8,906,671,631.

Note 2: In 2022, the cumulative number of Shares converted from the A Share Convertible Bonds of the Company was 1,113 shares, and with the repurchase and cancellation of 1,778,000 restricted A Shares, the share capital of the Company decreased to 8,906,672,636 shares accordingly.

Business Qualifications for Each Individual Business of the Company

Applicable Not applicable

1. Individual Business Qualifications of the Company

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

Section II Company Profile and Key Financial Indicators

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

Section II Company Profile and Key Financial Indicators

| No. | Approval Department | Qualification Name/Membership |
|-----|--|--|
| | | <p>First-class Dealer for Over-the-counter Options (Ji Gou Bu Han [2018] No. 1789)</p> <p>Qualifications to Conduct Credit Derivative Business (Ji Gou Bu Han [2018] No. 2545)</p> <p>Stock Index Options Market Making Business (Zheng Jian Hui Ji Gou Bu Han [2019] No. 3066)</p> <p>Conducting Fund Investment Advisory Business at Pilot (Ji Gou Bu Han [2020] No. 385)</p> <p>Account Management Function Optimization Pilot Business (Ji Gou Bu Han [2021] No. 3750)</p> <p>Treasury Futures Market Making Business (Ji Gou Bu Han [2021] No. 4029)</p> <p>Listed Securities Market Making Business (Zheng Jian Xu Ke [2022] No. 2453)</p> <p>Individual Pension Fund Sales Agency (November 2022)</p> |
| 3 | SAC | <p>Qualification for Participating in Related Innovation Activities (February 2005)</p> <p>Pilot of Underwriting Business of SME Private Placement Bonds (Zhong Zheng Xie Han [2012] No. 378)</p> <p>OTC Trading Business (Zhong Zheng Xie Han [2012] No. 825)</p> <p>Financial Derivatives Business (Zhong Zheng Xie Han [2013] No. 1224)</p> |
| 4 | China Securities Depository and Clearing Corporation Limited | <p>Agency Registration Business (April 2002)</p> <p>Clearing Participant (Zhong Guo Jie Suan Han Zi [2006] No. 67)</p> <p>Class A Clearing Participant (Zhong Guo Jie Suan Han Zi [2008] No. 24)</p> <p>Qualified Institution Establishment for Credit Protection Bond Pledge Repo Business (Zhong Guo Jie Suan Han Zi [2021] No. 200)</p> |
| 5 | China Securities Finance Corporation Limited | <p>Pilot Margin and Securities Refinancing Business (Zhong Zheng Jin Han [2012] No. 116)</p> <p>Pilot Securities Refinancing Business (Zhong Zheng Jin Han [2013] No. 45)</p> <p>Science and Technology Innovation Board Securities Refinancing Business (Zhong Zheng Jin Han [2019] No. 130)</p> <p>Science and Technology Innovation Board Market Making and Bond Lending Business (Zhong Zheng Jin Han [2022] No. 272)</p> |

Section II Company Profile and Key Financial Indicators

| No. | Approval Department | Qualification Name/Membership |
|-----|---|---|
| 6 | Shanghai Stock Exchange/ Shenzhen Stock Exchange | <p>Treasury Bonds Outright Repo Business (December 2004)</p> <p>Carrying out the Business of “SSE Fund Connect (上證基金通)” (July 2005)</p> <p>First-class Dealer for SSE 180 Trading Open-ended Index Securities Investment Fund (March 2006)</p> <p>Trader of Integrated Electronic Platform for Fixed Income Securities (Shang Zheng Hui Han [2007] No. 90)</p> <p>Qualified Investor of Block Trade System (No. A00001)</p> <p>Stock Pledge Repo Business (Shang Zheng Hui Zi [2013] No. 64, Shen Zheng Hui [2013] No. 58)</p> <p>Financing Business Pilot for Exercise of Options under Share Options Incentive Schemes of Listed Companies (Shen Zheng Han [2015] No. 15)</p> <p>Participant for Trading of Stock Options (Shang Zheng Han [2015] No. 66)</p> <p>SSE 50ETF Options Market Maker (Shang Zheng Han [2015] No. 212, Shang Zheng Gong Gao [2015] No. 4)</p> <p>Southbound Business (Shang Zheng Han [2014] No. 654, Shen Zheng Hui [2016] No. 326)</p> <p>Core Dealer of Credit Protection Contract (Shang Zheng Han [2019] No. 205)</p> <p>Business Qualification as Lead Market Maker of Listed Funds (Shang Zheng Han [2019] No. 1288)</p> <p>Credit Protection Certificate Creation Agency (Shang Zheng Han [2019] No. 2253)</p> <p>Stock Option Business (Shen Zheng Hui [2019] No. 470)</p> <p>CSI 300ETF Options Lead Market Maker (Shang Zheng Han [2019] No. 2303, Shen Zheng Hui [2019] No. 483)</p> <p>CSI 500 ETF Options Lead Market Maker (Shang Zheng Han [2022] No. 1626, Shen Zheng Hui [2022] No. 313)</p> <p>SSE Fund Connect Platform Market Maker (February 2022)</p> <p>GEM ETF Options (Shen Zheng Hui [2022] No. 313)</p> <p>SZSE 100ETF Options Lead Market Maker (Shen Zheng Hui [2022] No. 421)</p> <p>SSE Bonds Lead Market Maker, SZSE Bonds Lead Market Maker (February 2023)</p> |

Section II Company Profile and Key Financial Indicators

| No. | Approval Department | Qualification Name/Membership |
|-----|--|--|
| 7 | State Administration of Foreign Exchange | <p>Securities Brokerage and Underwriting Business of Foreign Currency (Hui Zi Zi No. SC201221)</p> <p>Transactions of Spot Sale and Purchase of Foreign Exchange, RMB and Foreign Exchange Related Derivative Business and Qualified Domestic Institutional Investor for Sale and Purchase of Foreign Exchange (Hui Fu [2014] No. 325)</p> <p>Businesses, such as Quanto Product Settlement and Sale, Foreign Exchange Settlement and Sale for QFII Custody Customer, Foreign Exchange Trading on behalf of Customers (Hui Zong Bian Han [2016] No. 505)</p> <p>Handling the Sale and Purchase of Foreign Exchange for the customers engaging in cross-border investment and financing transactions (Hui Zong Bian Han [2020] No. 469)</p> <p>Pilot Business for Sale and Purchase of Foreign Exchange on Behalf of Customers (Hui Zi Bian Han [2021] No. 238)</p> |
| 8 | National Association of Financial Market Institutional Investors | <p>Main Underwriting Business of Debt Financing Instruments for Non-Financial Businesses (Announcement of National Association of Financial Market Institutional Investors [2012] No. 19)</p> <p>Core Dealer of Credit Risk Mitigation Instruments (December 2016)</p> <p>Creator of Credit Risk Mitigation Warrants (2017)</p> <p>Creator of Credit-linked Notes (2017)</p> <p>Independently carrying out the Main Underwriting Business of Debt Financing Instruments for Non – Financial Businesses (Zhong Shi Xie Fa[2022] No. 155)</p> |
| 9 | Shanghai Gold Exchange | <p>Special Membership (Certificate No. T002)</p> <p>International Membership (Class A) (Certificate No. IM0046)</p> <p>Qualification for Proprietary Gold Trading (Shang Jin Jiao Fa [2013] No. 107)</p> <p>Interbank Gold Price Inquiries Business (Shang Jin Jiao Fa [2014] No. 114)</p> <p>Pilot Member of Implied Volatility Curve Quotation Group for Gold Inquiry Options (November 2017)</p> |
| 10 | National Equities Exchange and Quotations | <p>Sponsoring Broker-dealers Market Making Business (Gu Zhuan Xi Tong Han [2013] No. 58, [2014] No. 706)</p> |

Section II Company Profile and Key Financial Indicators

| No. | Approval Department | Qualification Name/Membership |
|-----|--|--|
| 11 | China Foreign Exchange Trading Center | China Interbank FX Market Membership (Zhong Hui Jiao Fa [2015] No. 3) China Interbank FX Market Derivatives Membership (Zhong Hui Jiao Fa [2015] No. 59) Northbound Trading Link Business under “Bond Connect” (July 2017) Inter-bank Foreign Currency Market Membership (Zhong Hui Jiao Fa [2018] No. 412) Interbank Interest Rate Exchange Fixing (Closing) Curve Quote Agency (November 2019) Inter-Bank Bond Market Spot Bond Market Maker (Comprehensive Type) (March 2021) Pilot Institution for Automated Market-making Services in the Inter – Bank Bond Market (November 2021) Interest Rate Swap Exclusive Market Maker (November 2022) |
| 12 | Interbank Market Clearing House Company Limited | Central Clearing Transaction of Shipping and Commodities Derivatives (Zhun Zi [2015] No. 016 for Membership of Clearing House) Business of Liquidation Agency of RMB Interest Rate Swap (2018 Bian Han No. 8, Qing Suan Suo Fa [2018] No. 30) Business of Central Clearing for Credit Default Swap (2018 Bian Han No. 29) Comprehensive Clearing Member for the Business of Central Clearing of Standard Bond Forwards (Qing Suan Suo Fa [2018] No. 193) General Clearing Member of Credit Default Swap Centralized Clearing Business (2021 Bian Han No. 183) |
| 13 | Shanghai Futures Exchange | Copper Options Market Maker (September 2018) Physical Delivery Business (September 2021) |
| 14 | Shanghai International Energy Exchange | Crude Oil Futures Market Maker (October 2018) Physical Delivery Business (September 2021) |
| 15 | Asset Management Association of China | Private Equity Outsourcing Institutions (Filing No. A00005) |
| 16 | China Financial Futures Exchange | CSI 300 Stock Index Options Market Maker (December 2019) Treasury Bonds Futures Market Maker (January 2022) CSI 1000 Stock Index Options Market Maker (July 2022) SSE 50 Stock Index Options Market Maker (December 2022) |
| 17 | Shanghai Commercial Paper Exchange Corporation Ltd | Access into the Chinese commercial paper trading system (July 2020) |

Section II Company Profile and Key Financial Indicators

2. Individual Business Qualifications of the Controlled Subsidiaries

| No. | Name of subsidiary | Qualification Name/Membership |
|-----|------------------------|---|
| 1 | Hong Kong Subsidiaries | <p>Issued by the Securities and Futures Commission of Hong Kong</p> <p>Type 1 (dealing in securities) (1 April 2003)</p> <p>Type 2 (dealing in futures contracts) (1 April 2003)</p> <p>Type 3 (leveraged foreign exchange trading) (21 October 2010)</p> <p>Type 4 (advising on securities) (1 April 2003)</p> <p>Type 5 (advising on futures contracts) (26 November 2010)</p> <p>Type 6 (advising on corporate finance) (1 April 2003)</p> <p>Type 9 (asset management) (1 April 2003)</p> <p>Custodian of open-ended fund companies (30 June 2022)</p> <p>Issued by The Stock Exchange of Hong Kong Limited</p> <p>Exchange Trading Right Certificate (July 2000)</p> <p>Exchange Participant Certificate (13 August 2001)</p> <p>China Connect Exchange Participant (10 November 2014)</p> <p>Hong Kong Options Market Maker (2 October 2019)</p> <p>Issuer of Structured Products Listed in Hong Kong (31 October 2019)</p> <p>SPAC Exchange Participant (17 March 2022)</p> <p>Options Market Product Trading Rights (25 April 2022)</p> <p>Issued by Hong Kong Securities Clearing Company Limited</p> <p>Direct Clearing Participant, China Connect Clearing Participant (10 November 2014)</p> <p>Issued by Hong Kong Futures Exchange Limited</p> <p>Exchange Participant Certificate and Exchange Trading Right Certificate (6 March 2000)</p> <p>Issued by HKFE Clearing Corporation Limited Participant</p> <p>Certificate of Future Clearing Company (6 March 2000)</p> <p>Issued by China Securities Regulatory Commission</p> <p>Qualified Overseas Institutional Investors (21 February 2013)</p> <p>RMB Qualified Overseas Institutional Investors (11 August 2014)</p> <p>Permit for Securities and Futures Operation Business (December 2017)</p> <p>Issued by Insurance Authority</p> <p>General and long-term business (including related long-term insurance membership) (23 September 2019)</p> <p>Issued by Monetary Authority of Singapore</p> <p>License for Fund Management (7 July 2020)</p> <p>Trading Capital Market Products (securities) (8 October 2018)</p> |

Section II Company Profile and Key Financial Indicators

| No. | Name of subsidiary | Qualification Name/Membership |
|-----|-------------------------------|--|
| | | <p>Issued by the Hong Kong Mandatory Provident Fund Schemes Authority</p> <p>Principal Intermediary Qualification (20 December 2012)</p> <p>Issued by the Shanghai headquarters of the People's Bank of China</p> <p>"Bond Connect" Overseas Investors Business (2017)</p> <p>Issued by Shanghai International Gold Exchange</p> <p>Class B International Membership (2020)</p> <p>Issued by Shanghai Gold Exchange</p> <p>International Membership (Class B) Qualification (2020)</p> <p>Issued by Vietnam Securities Regulatory Commission</p> <p>Securities Brokerage License (28 August 2007)</p> <p>Proprietary Trading License (28 August 2007)</p> <p>Securities Investment Advisory License (28 August 2007)</p> <p>Securities Depository Service License (28 August 2007)</p> <p>Securities Underwriting Service License (22 November 2021)</p> |
| 2 | Guotai Junan Asset Management | <p>Operation permit of securities business: securities asset management business. (No. 10278001)</p> <p>Qualified Domestic Institutional Investor Participating in Administration of Overseas Securities Investment (Zheng Jian Ji Gou Zi [2010] No. 631)</p> <p>Asset Management Business Participating in the Trading of Stock Index Futures (Hu Zheng Jian Ji Gou Zi [2011] No. 38)</p> <p>Pilot of Cash Management Products (Zheng Jian Xu Ke [2012] No. 828)</p> <p>Qualification for Publicly Offered Securities Investment Fund Management Business (Zheng Jian Xu Ke [2020] No. 3681)</p> |

Section II Company Profile and Key Financial Indicators

| No. | Name of subsidiary | Qualification Name/Membership |
|-----|---|--|
| 3 | Guotai Junan Futures and its subsidiaries | <p>Permit for Securities and Futures Operation Business (No.91310000100020711J)</p> <p>Comprehensive Settlement Business for Financial Futures (Zheng Jian Qi Huo Zi [2007] No. 148)</p> <p>Qualification for Futures Investment Consulting Business (Zheng Jian Xu Ke [2011] No. 1449)</p> <p>Asset Management Business (Zheng Jian Xu Ke [2012] No. 1506)</p> <p>Financing Contracts Services, Basis Trading, Cooperation, Hedge Pricing Services (Zhong Qi Xie Bei Zi [2015] No. 67)</p> <p>Membership Qualification of Shanghai International Energy Exchange (Shang Neng Pi Fu [2017] No. 105)</p> <p>Participant for Trading of SSE Stock Options (Shang Zheng Han [2018] No. 63)</p> <p>Market Making Business (Zhong Qi Xie Bei Zi [2018] No. 41)</p> <p>Individual Stock Over-the-counter Derivatives Business (August 2018)</p> <p>Commodity Exchange Business (Da Shang Suo Fa [2018] No. 494)</p> <p>Stock Options Business (Shen Zheng Han [2019] No. 722)</p> <p>Copper Options Market Maker, Gold Futures Market Makers, Corn Options Market Maker, No. 20 Rubber Futures Market Maker, Tin Futures Market Maker, Gold Options Market Maker, PTA Options Market Maker, Methanol Options Market Maker (2019)</p> <p>Linear Low Density Polyethylene Futures Market Maker, Styrene Futures Market Maker, Linear Low Density Polyethylene Options Market Maker, Polyvinyl Chloride Options Market Maker, Polypropylene Options Market Maker, Deformed Steel Bar Futures Market Maker, Natural Rubber Futures Market Maker, Soy Oil Futures Market Maker, Palm Oil Futures Market Maker, Japonica Rice Futures Market Maker, Low Sulphur Fuel Oil Futures Market Maker, International Copper Futures Market Maker, Soybean Meal Futures Market Maker (2020)</p> <p>Hot Rolled Coil Futures Market Maker, Crude Oil Options Market Maker, Ethylene Glycol Futures Market Maker, Iron Ore Futures Market Maker, Polyvinyl Chloride Futures Market Maker, Polypropylene Futures Market Maker, Corn Futures Market Maker (2021)</p> <p>Crude Oil Futures Market Maker, Nickel Futures Market Maker, SSE 50ETF Options Market Maker, SSE CSI 300ETF Options Market Maker, SZSE CSI 300ETF Options Market Maker, SSE CSI 500ETF Options Market Maker, SZSE CSI 500 ETF Options Market Maker, SZSE 100ETF Options Market Maker, GEM ETF Options Market Maker, Treasury Bonds Futures Market Maker, Hog Futures Market Maker, Soybean Oil Options Market Maker, Egg Futures Market Maker, Industrial Silicon Futures Market Maker, Deformed Steel Bar Futures Market Maker, Yellow Soybean No. 1 Futures Market Maker (2022)</p> <p>Capital Markets Services (CMS) license (25 November 2022) issued by Monetary Authority of Singapore</p> |

Section II Company Profile and Key Financial Indicators

| No. | Name of subsidiary | Qualification Name/Membership |
|-----|------------------------------------|---|
| 4 | HuaAn Funds and its subsidiaries | <p>Permit for Securities and Futures Operation Business (No. 91310000630888761K)</p> <p>Qualified Domestic Institutional Investors (QDII) (No.250 [2007] of China Securities Regulatory Commission)</p> <p>Business Qualification for Management of Assets of Specific Clients (Zheng Jian Xu Ke [2008] No. 304)</p> <p>Pilot Business for Publicly Offered Funds Investment Consultation (Ji Gou Bu Han [2021] No. 1707)</p> <p>Qualifications for Fund Subsidiaries to Engage in Asset Management Business for Specific Clients (91310000080024263K)</p> <p>Issued by Hong Kong Securities and Futures Commission</p> <p>Type 1 license (dealing in securities) (19 January 2022)</p> <p>Type 4 license (advising on securities) (1 December 2010)</p> <p>Type 9 license (provision of asset management) (1 December 2010)</p> <p>RMB Qualified Foreign Institutional Investor (RQFII) (Zheng Jian Xu Ke [2011] No. 2050)</p> <p>Qualification for Investment and Consultation of Stocks in Hong Kong (Institution filing code: H21007)</p> |
| 5 | Guotai Junan Innovation Investment | Qualification for Private Equity Fund Manager (No. PT2600011780) |

II. CONTACT PERSONS AND CONTACT METHODS

| | Secretary to the Board | Securities Affairs Representative |
|-----------------|--|--|
| Name | YU Jian | LIANG Jing |
| Contact address | No. 768 Nanjing West Road, Jingan District, Shanghai | No. 768 Nanjing West Road, Jingan District, Shanghai |
| Telephone | 021-38676798 | 021-38676798 |
| Facsimile | 021-38670798 | 021-38670798 |
| E-mail | dshbgs@gtjas.com | dshbgs@gtjas.com |

III. BASIC INFORMATION

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

Section II Company Profile and Key Financial Indicators

IV. INFORMATION DISCLOSURE AND LOCATION FOR INSPECTION OF DOCUMENTS

| | |
|--|--|
| Names and websites of the media for publication of the Company's annual report | China Securities Journal http://www.cs.com.cn/ ; Shanghai Securities News http://www.cnstock.com/ ; Securities Times http://www.stcn.com/ ; Securities Daily http://www.zqrb.cn/ |
| Websites of the stock exchanges for publication of the Company's annual report | http://www.sse.com.cn/ ; http://www.hkexnews.hk/ |
| Location for inspection of annual report of the Company | No. 768 Nanjing West Road, Jingan District, Shanghai |

V. SHARES OF THE COMPANY

Shares of the Company

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

VI. OTHER INFORMATION OF THE COMPANY

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

Applicable Not applicable

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

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

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

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

In March 2012, with the approval of the Shanghai Bureau of the CSRC, the Company issued 1.4 billion additional Shares and thus the registered capital changed to RMB6.1 billion.

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

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

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

Section II Company Profile and Key Financial Indicators

(II) The organization structure of the Company

√ Applicable □ Not applicable

1. The organization chart of the Group

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

2. Subsidiaries

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

| No. | Name of Subsidiary | Registered Address/Domicile | Date of Establishment | Legal | | Contact Number |
|-----|------------------------------------|--|-----------------------|--|-------------------------------------|----------------|
| | | | | Registered Capital/ Paid Up Capital | Representative/ Person in Charge | |
| 1 | Guotai Junan Financial Holdings | Units 1506-08, 15/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong | 10 August 2007 | HK\$2.61198 billion | XIE Lebin | 0852-31831118 |
| 2 | Guotai Junan Asset Management | Unit 409A10, No. 381 South Suzhou Road, Huangpu District, Shanghai | 27 August 2010 | RMB2 billion | XIE Lebin | 021-38676666 |
| 3 | Guotai Junan Futures | 29/F, 30/F, No. 669 Xinzha Road, Jing'an District, Shanghai | 6 April 2000 | RMB5 billion | CHEN Yutao | 021-33038999 |
| 4 | Guotai Junan Innovation Investment | Units 11F07-09, Bank of Shanghai Building, 168 Middle Yincheng Road, Pudong New District, Shanghai | 20 May 2009 | RMB7.5 billion | JIANG Wei | 021-38675884 |
| 5 | Guotai Junan Zhengyu | Unit 1106, No. 3255 Zhoujiazui Road, Yangpu District, Shanghai | 12 February 2018 | RMB4 billion | WEN Zhi | 021-38672928 |
| 6 | HuaAn Funds | Room 2118, Building B, No. 888 Huanhu West Second Road, Lingang New Area, China (Shanghai) Pilot Free Trade Zone | 4 June 1998 | RMB 150 million | ZHU Xuehua | 021-38969869 |
| 7 | Guoxiang Properties | Floor 2-12, Main Building No.C, No. 688 Waima Road, Huangpu District, Shanghai | 30 December 2011 | RMB1.05 billion | MU Qing | - |

3. Branch offices

As of the end of 2022, the Group had 33 securities branch offices and 16 futures branch offices in the PRC. For basic information of these branch offices, please refer to Appendix II.

Section II Company Profile and Key Financial Indicators

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

Applicable Not applicable

As of the end of the Reporting Period, the Group had 339 securities branches and 9 futures branches in the PRC, among which, 339 securities branches were established by the Company and 9 futures branches were established by Guotai Junan Futures.

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

| Province/ Municipality or Region | Number of Branches | Province/Municipality or Region | Number of Branches | Province/Municipality or Region | Number of Branches |
|--|-----------------------|------------------------------------|-----------------------|------------------------------------|-----------------------|
| Guangdong | 43 | Zhejiang | 25 | Jiangsu | 22 |
| Shanghai | 20 | Jiangxi | 18 | Hunan | 17 |
| Beijing | 15 | Hubei | 15 | Shandong | 14 |
| Sichuan | 14 | Fujian | 14 | Henan | 10 |
| Hebei | 10 | Chongqing | 10 | Jilin | 9 |
| Gansu | 9 | Yunnan | 7 | Liaoning | 7 |
| Shanxi | 7 | Heilongjiang | 6 | Guangxi | 6 |
| Anhui | 6 | Guizhou | 6 | Shaanxi | 6 |
| Tianjin | 6 | Inner Mongolia | 5 | Hainan | 5 |
| Xinjiang | 4 | Tibet | 1 | Ningxia | 1 |
| Qinghai | 1 | | | | |

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

| Province/ Municipality or Region | Number of Branches | Province/Municipality or Region | Number of Branches | Province/Municipality or Region | Number of Branches |
|--|-----------------------|------------------------------------|-----------------------|------------------------------------|-----------------------|
| Shanghai | 5 | Beijing | 1 | Tianjin | 1 |
| Guangdong | 1 | Zhejiang | 1 | | |

(IV) Number and distribution of other branches

Applicable Not applicable

VII. OTHER RELEVANT INFORMATION

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

Section II Company Profile and Key Financial Indicators

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

(I) Key accounting data

Unit: thousand yuan Currency: RMB

| Key accounting data | 2022 | 2021 | Movement during the current period compared with the corresponding period of | 2020 |
|---|--------------------|--------------------|--|--------------------|
| | | | last year (%) | |
| Total revenue and other income | 49,086,921 | 56,411,187 | -12.98 | 46,445,340 |
| Operating profit | 13,387,391 | 18,573,558 | -27.92 | 14,716,419 |
| Profit before income tax | 14,139,971 | 19,112,281 | -26.02 | 14,871,944 |
| Profit for the year attributable to equity holders of the Company | 11,507,150 | 15,013,480 | -23.35 | 11,122,099 |
| Net cash generated from/(used in) operating activities | 44,321,212 | -16,787,288 | N/A | -4,293,374 |
| | | | Movement at the end of the current period compared with the end of the corresponding period of | |
| | At the end of 2022 | At the end of 2021 | last year (%) | At the end of 2020 |
| Total assets | 860,688,547 | 791,272,815 | 8.77 | 702,899,172 |
| Total liabilities | 696,862,458 | 640,636,223 | 8.78 | 556,661,354 |
| Equity attributable to equity holders of the Company | 157,698,968 | 147,123,665 | 7.19 | 137,353,260 |
| Share capital | 8,906,673 | 8,908,450 | -0.02 | 8,908,448 |

Section II Company Profile and Key Financial Indicators

(II) Key financial indicators

| Key financial indicators | 2022 | 2021 | Movement | 2020 |
|--|--------------|-------|---|-------|
| | | | during the current period compared with the corresponding period of last year (%) | |
| Basic earnings per share (RMB/share) | 1.24 | 1.65 | -24.85 | 1.20 |
| Diluted earnings per share (RMB/share) | 1.23 | 1.62 | -24.07 | 1.19 |
| Weighted average return on net assets(%) | 7.88 | 11.05 | decrease by 3.17 percentage points | 8.54 |
| Net assets per share attributable to equity holders of the Company (RMB/share) | 17.71 | 16.52 | 7.20 | 15.44 |
| Gearing ratio (%) | 75.36 | 75.64 | decrease by 0.28 percentage point | 73.19 |

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

Note 2: As of 31 December 2022, the equity attributable to equity holders of the Company was RMB157.699 billion, the share capital was 8.907 billion shares, and net assets per share of the Company amounted to RMB17.71 as calculated by the formula “net assets per share = equity attributable to equity holders of the Company/ share capital (net of treasury shares for which cancellation had been announced but business registration had not been completed)”.

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

√ Applicable □ Not applicable

Unit: thousand yuan Currency: RMB

| Item | At the end of the Reporting Period | At the end of last year |
|--|------------------------------------|-------------------------|
| Net capital | 92,874,566 | 95,023,120 |
| Net assets | 139,053,271 | 131,318,186 |
| Risk coverage ratio(%) | 186.44 | 190.16 |
| Capital leverage ratio(%) | 17.62 | 20.09 |
| Liquidity coverage ratio(%) | 277.32 | 248.05 |
| Net stable funding ratio(%) | 130.09 | 130.54 |
| Net capital/Net assets (%) | 66.79 | 72.36 |
| Net capital/Liabilities (%) | 22.52 | 24.65 |
| Net assets/Liabilities (%) | 33.71 | 34.06 |
| Equity securities and derivatives held/Net capital (%) | 35.52 | 41.76 |
| Non-equity securities and derivatives held/Net capital (%) | 342.28 | 303.80 |

Section II Company Profile and Key Financial Indicators

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

1 Profitability

Unit: thousand yuan Currency: RMB

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|-------------------|------------|------------|------------|------------|
| Total revenue and other income | 49,086,921 | 56,411,187 | 46,445,340 | 39,049,645 | 31,229,385 |
| Total expenses | 35,699,530 | 37,837,629 | 31,728,921 | 27,779,039 | 22,088,588 |
| Profit before income tax | 14,139,971 | 19,112,281 | 14,871,944 | 11,444,619 | 9,268,342 |
| Profit for the year attributable to equity holders of the Company | 11,507,150 | 15,013,480 | 11,122,099 | 8,637,037 | 6,708,116 |

2 Assets

Unit: thousand yuan Currency: RMB

| | 31 December 2022 | 31 December 2021 | 31 December 2020 | 31 December 2019 | 31 December 2018 |
|--|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| Share capital | 8,906,673 | 8,908,450 | 8,908,448 | 8,907,948 | 8,713,941 |
| Total equity | 163,826,089 | 150,636,592 | 146,237,818 | 146,093,823 | 133,673,392 |
| Equity attributable to equity holders of the Company | 157,698,968 | 147,123,665 | 137,353,260 | 137,501,490 | 123,450,063 |
| Total liabilities | 696,862,458 | 640,636,223 | 556,661,354 | 413,220,455 | 303,055,688 |
| Accounts payable to brokerage customers | 195,718,783 | 172,483,608 | 157,408,158 | 109,336,526 | 82,347,043 |
| Total assets | 860,688,547 | 791,272,815 | 702,899,172 | 559,314,278 | 436,729,080 |
| Basic earnings per share (RMB/share) | 1.24 | 1.65 | 1.20 | 0.90 | 0.70 |
| Diluted earnings per share (RMB/share) | 1.23 | 1.62 | 1.19 | 0.90 | 0.70 |
| Weighted average return on net assets(%) | 7.88 | 11.05 | 8.54 | 6.75 | 5.42 |
| Gearing ratio (%) | 75.36 | 75.64 | 73.19 | 67.53 | 62.28 |

Section II Company Profile and Key Financial Indicators

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Section III Discussion and Analysis of the Board of Directors

I. DISCUSSION AND ANALYSIS OF OPERATION CONDITION

(I) Overall operation condition

Year 2022 is the final year of the “first three-year” along the strategic pathway of “Nine-Year Strategic Plan in 3 Three-Year Steps” of the Group. In the face of the complicated external environment, on the basis of maintaining stable operation, the Group resolutely implemented the general principle of “making progress while maintaining stability and persevering in hard work”, accelerated reform, innovation and transformation, continued to improve its strategic layout, and made positive progress in various key tasks of operation and management. The core capabilities of the Group’s main businesses have steadily improved, and the task of “laying the foundation and making up for the shortcomings” has achieved remarkable results with a successful conclusion of the “first three-year”. In respect of wealth management business, the Company fully launched the construction of the “three forces” mechanism of “driving force from headquarters, penetration force from policies and supporting force from branches”, and the transformation path was further cleared; in respect of institutional and trading business, the Company resolutely transformed to a low-risk and non-directional business, and the effect of structural adjustment gradually appeared; in respect of investment banking business, the reform of its divisional system achieved remarkable results with steady improvement of the competitiveness in key industries and key regions; in respect of investment management business, the control of HuaAn Funds and the continuous optimization of the business layout were implemented; in respect of international business, the overseas layout and cross-border integration were steadily promoted, and the capability of cross-border collaboration continued to improve.

During the Reporting Period, the Group focused on the construction of service systems for retail, institutional and corporate customers, continued to improve the Synergy 2.0 model, built a comprehensive service platform, and further enhanced its customer service capabilities; set up the Guangdong-Hong Kong-Macao Greater Bay Area Collaborative Development Committee, and established Xiong’an and Qianhai branches, enabling the organizational innovation in key regions to start smoothly; promoted the standardized construction of branches in an orderly manner, increased its efforts in business empowerment, and actively promoted the high-quality development of branches; deeply promoted comprehensive digital transformation, completed the launch of the new generation of core transaction system for the first time in the industry, steadily promoted key projects, and continuously improved its digital technology capabilities; deeply promoted the strategy of “strengthening the Company with talents”, and optimized and improved the talent development mechanism, organizational management mechanism as well as assessment and incentive mechanism; strengthened the Group’s comprehensive risk prediction, early warning and response capabilities and continued to improve the refinement level of the Group’s compliance risk management; obtained Class A and AA regulatory ratings for 15 consecutive years, and maintained international credit ratings at BBB+ by Standard & Poor and Baa1 by Moody with the outlook of the Company being “stable”.

(II) Analysis of principal businesses

1. Wealth management business

(1) Retail brokerage and wealth management

According to the statistics of SSE and SZSE, in 2022, the trading volume of stock and fund market in SSE and SZSE was RMB247.67 trillion, representing a decrease of 10.4% compared with the corresponding period of last year and the offering size of new mutual funds was RMB1,448.282 billion, representing a decrease of 50.8% compared with the corresponding period of last year.

Section III Discussion and Analysis of the Board of Directors

In 2022, in respect of wealth management business, the Group focused on customer needs for integrated service, strengthened the retail customer base, fully launched the construction of the “three forces” mechanism, and strived to build a technology platform for retail customers. With the transformation to wealth management 2.0 model driven by investment advisory and empowered by technology, the competitiveness of product sales and investment advisory businesses steadily improved, and the retail brokerage business continued to maintain its leading position in the industry. During the Reporting Period, the Group built a headquarters empowerment center with product supply, professional sales and private customization as the core, deepened the construction of the “Selection 100 (甄選100)” financial product system, enriched the “Jun Xiang Tou (君享投)” of fund investment advisory strategy portfolio, and strengthened asset allocation capabilities; built a channel development system with regional flagship wealth centers, convenient satellite wealth centers and intelligent digital wealth centers as the core, and promoted the transformation and upgrading of business outlets; optimized the “Jun Hong Xing Service (君弘星服務)” model providing three types of retail customer services of “customized expert services, personalized investment advisory services and intelligent broad-spectrum services”, built an investment advisory and digital talent training system with investment advisory golden talents, wealth management golden talents and digital and intelligent golden talents as the core, and continuously improved the professional capabilities of investment consultants. At the same time, the Group fully launched the new generation of core transaction system, optimized the construction of the Jun Hong APP digital wealth management platform and the Bai Shi Tong (百事通) investment advisory platform, and enhanced the digital operation and service capabilities. At the end of the Reporting Period, there were 39.01 million users of Jun Hong APP, representing an increase of 2.9% from the end of last year, and average monthly active users amounted to 7.23 million¹, representing an increase of 20.1% from the corresponding period of last year. The number of personal fund accounts was 15.63 million, representing an increase of 7.1% compared with the end of last year, including 338,800 affluent customers and high-net-worth customers. A total of 3,547 persons were qualified as investment consultants, representing an increase of 4.0% from the end of last year, ranking the fourth in the industry. At the end of 2022, the asset of “Jun Xiang Tou (君享投)” investment advisory business clients was RMB5.722 billion, representing an increase of 88.6% compared with the end of the previous year, among which the asset holding size of contracted customers of investment advisory business of mutual funds was RMB1.80 billion, representing an increase of 229.7% compared with the end of the previous year. During the Reporting Period, the sales of financial products was RMB735.7 billion², representing an increase of 7.6% from the corresponding period of last year, and the monthly average size of financial products was RMB213.8 billion, representing an increase of 16.4% from the corresponding period of last year. In November 2022, it was shortlisted for the first batch of individual pension fund sales institutions. According to the statistics of the SAC calculated on the basis of parent company, the Company had a market share of 5.48% in terms of net revenue from the securities brokerage business, and continued to rank the first in the industry.

1 Data of monthly active users adopted in Jun Hong APP is sourced from Analysys International (易觀國際).

2 Statistical calibers of the sales and size of financial products include mutual funds, private funds, trust products, bank wealth management products, asset management products, futures asset management products.

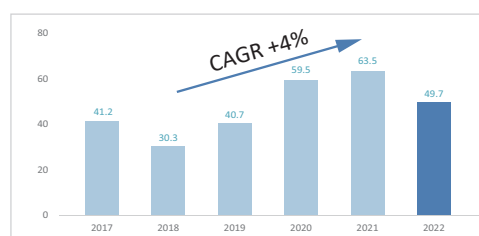
Section III Discussion and Analysis of the Board of Directors

Change in the scale of the Group's securities brokerage business in 2022 (Unit: RMB100 million)

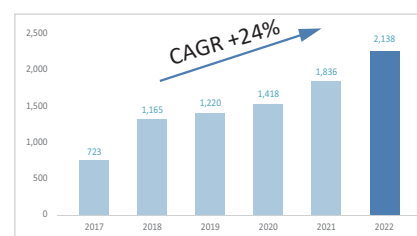
| | Item | Reporting Period | Corresponding period of last year |
|-----------------------------|----------------|------------------|-----------------------------------|
| Stocks | Trading amount | 197,444 | 223,962 |
| | Market share | 4.40% | 4.34% |
| Securities investment funds | Trading amount | 10,446 | 9,535 |
| | Market share | 2.26% | 2.60% |
| Bonds | Trading amount | 534,516 | 467,207 |
| | Market share | 6.05% | 6.16% |

Source: SSE, SZSE. Bonds include spot and repurchase.

Net income from the securities brokerage business (RMB100 million)



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



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

(2) Futures brokerage

According to the statistics of China Futures Association, on unilateral basis, in 2022, the cumulative trading volume of domestic futures market was RMB534.93 trillion, representing a decrease of 8.0% compared with the corresponding period of last year, among which the cumulative trading volume of commodity futures was RMB401.90 trillion, representing a decrease of 13.2% compared with the corresponding period of last year and the cumulative trading volume of financial futures was RMB133.04 trillion, representing an increase of 12.6% compared with the corresponding period of last year.

In 2022, Guotai Junan Futures improved its customer service system, strengthened comprehensive financial services, and strived to promote the development of cross-border business, asset management and risk management business, and focused on financial institutions and industrial customers to increase the share of customer equity, resulting in steady growth in operating results. In November 2022, it obtained the Singapore Capital Markets Services (CMS) License. During the Reporting Period, the futures transaction amount of Guotai Junan Futures increased by 8.8% compared with the corresponding period of last year, with a market share of 6.00%, representing an increase of 0.92 percentage point from the corresponding period of last year, among which, the market share of transaction amount of financial futures was 9.84%, representing an increase of 0.10 percentage point from the end of last year, ranking the third in the industry, and the market share of transaction amount of commodity futures was 4.72%, representing an increase of 0.84 percentage point from the end of last year, ranking fifth, third and fourth in terms of market share of transaction amount on the Shanghai Futures Exchange, Dalian Commodity Exchange and Zhengzhou Commodity Exchange, respectively. As at the end of the Reporting Period, the scale of customer equity was RMB106.5 billion, representing an increase of 35.5% from the end of last year, and continued to rank the second in the industry.

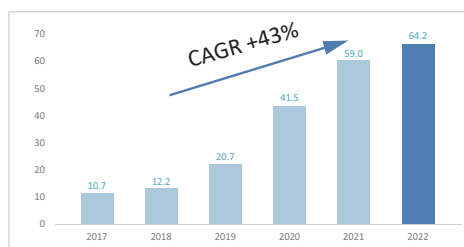
Section III Discussion and Analysis of the Board of Directors

Major business indicators of Guotai Junan Futures in 2022

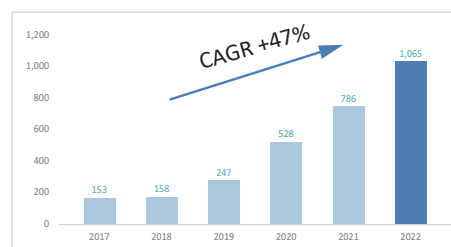
| Item | Reporting Period | Corresponding period of last year |
|---|------------------------------------|-----------------------------------|
| | Transaction amount (RMB trillion) | 64.15 |
| Number of board lots (100 million) | 6.78 | 6.02 |
| | At the end of the Reporting Period | At the end of last year |
| Cumulative effective accounts opened (unit) | 180,970 | 156,958 |
| Customer equity at the end of the period (RMB100 million) | 1,065 | 786 |

Source: the Company's business data.

Transaction amount of Guotai Junan Futures (RMB trillion)



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



Source: the Company's business data.

(3) Margin financing and securities lending business

According to the statistics of Wind, as at the end of 2022, the balance of margin financing and securities lending in the market amounted to RMB1,540.392 billion, representing a decrease of 15.9% from the end of last year, in which, the balance of margin financing amounted to RMB1,444.511 billion, representing a decrease of 15.6% from the end of last year and the balance of securities lending amounted to RMB95.881 billion, representing a decrease of 20.2% from the end of last year.

In 2022, in respect of margin financing and securities lending business, on the basis of adhering to counter-cyclical adjustment, the Group optimized the pricing mechanism and risk control mechanism, strengthened product strategy innovation and improved comprehensive service capabilities. It also deeply cultivated corporate customers and institutional customers, promoted the development of institutional margin financing and securities lending business, optimized its structure of securities source, and launched the Quanyuantong 3.0 (券源通3.0) system with steady increase in the market share of securities lending business. At the end of the Reporting Period, the balance of the Group's margin financing and securities lending amounted to RMB87.139 billion, representing a decrease of 16.2% from the end of last year, with a market share of 5.66%, and maintained margin ratio at 264.6%. Among which, the balance of margin financing amounted to RMB80.442 billion, with a market share of 5.57%, and the balance of securities lending amounted to RMB6.697 billion, with a market share of 6.98%. The balance of the margin financing and securities lending from institutional customers amounted to RMB25.966 billion, accounting for 29.8% of the balance of the margin financing and securities lending of the Group.

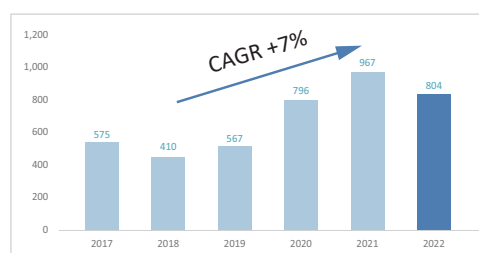
Section III Discussion and Analysis of the Board of Directors

Scale of the Group's margin financing and securities lending business as at the end of 2022 (Unit: RMB100 million)

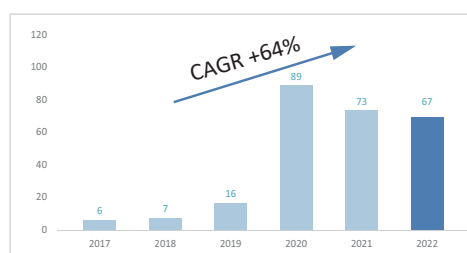
| Item | At the end of the Reporting Period | At the end of last year |
|------------------------------------|------------------------------------|-------------------------|
| Balance of margin loans | 804.42 | 966.94 |
| Market value of securities lending | 66.97 | 73.46 |
| Balance of margin refinancing | 40.00 | 30.00 |
| Balance of securities refinancing | 73.12 | 71.93 |

Source: the Company's business data.

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



**Balance of market value of securities
lending (RMB100 million)**



Source: the Company's business data.

(4) Stock pledging business

According to the statistics of the SAC, at the end of 2022, the margin loans for stock pledged financing in the securities industry was RMB212.425 billion, representing a decrease of 6.4% from the end of last year.

In 2022, in respect of stock pledging business, the Group continued to adhere to the prudent and steady development strategy of "diversification and low leverage", strengthened centralized management, optimized its customer and asset structure, enhanced its business due diligence and risk control capabilities, steadily promoted the development of option exercise financing business and created a healthy business format featuring high-quality customers and matched returns and risks. At the end of the Reporting Period, the outstanding balance of the stock pledging business was RMB26.246 billion, representing a decrease of 13.7% from the end of last year, among which the balance of margin loans was RMB25.960 billion, representing a decrease of 3.4% from the end of last year; the average collateral coverage ratio was 266.5% and the scale of stock pledged financing, an asset management product managed by the Group, was RMB286 million, representing a decrease of 91.9% from the end of last year. By optimizing the business development strategy of securities repurchase, the outstanding balance of securities repurchase was RMB2.343 billion, representing an increase of 46.5% from the end of last year.

Section III Discussion and Analysis of the Board of Directors

Scale of the Group's stock pledging and securities repurchase business as at the end of 2022 (Unit: RMB100 million)

| Item | At the end of the Reporting Period | At the end of last year |
|---|------------------------------------|-------------------------|
| Outstanding balance of the stock pledging business | 262.46 | 304.16 |
| Including: Margin loans for stock pledged financing | 259.60 | 268.86 |
| Outstanding balance of securities repurchase | 23.43 | 15.99 |

Source: the Company's business data.

2. Investment banking business

According to Wind and other statistics, in 2022, the total financing amount underwritten by securities companies was RMB11,873.25 billion, representing a decrease of 6.5% compared with the same period of last year. In particular, the total equity financing amount was RMB1,384.796 billion, representing a decrease of 12.8% compared with the same period of last year. The total debt financing underwritten by securities companies was RMB10,488.454 billion, representing a decrease of 5.6% compared with the same period of last year. The amount of M&A transactions as approved by the CSRC and stock exchanges was RMB342.232 billion, representing an increase of 36.0% compared with the same period of last year.

In 2022, in respect of investment banking business, the Company deepened the reform of the divisional system, enhanced strategic synergy, promoted a digital construction, continually focused on key industries, regions and products, enhanced its industrial service capabilities and comprehensive financial service capabilities, and strived to build an "industrial investment bank, comprehensive investment bank and digital investment bank" with IPO, corporate bonds and other major businesses maintaining at the forefront of the industry and strong competitiveness in key industries such as new generation information technology, new materials and new energy, and key regions such as the Yangtze River Delta and the Pearl River Delta. The Company made positive progress in building the "investment bank + " ecosystem, and completed a series of influential projects such as the Huahai Qingke IPO, Shanshan GDR, China Galaxy convertible bonds and major asset restructuring of Shanghai Airport, and the innovative projects such as the first Belt and Road technology innovation corporate bonds in China and the first batch of blue bonds in the Shenzhen Stock Exchange. During the Reporting Period, the Group's lead underwriting amount of securities was RMB868.388 billion, representing a decrease of 7.9% compared with the same period of last year, continuing to rank the fifth in the industry. In particular, the lead underwriting amount of equity interest was RMB71.566 billion, representing a decrease of 29.5% compared with the same period of last year, ranking the fifth in the industry. In terms of IPO business, the number of lead underwritings by the Company was 31 projects, representing an increase of 24% compared with the same period of last year, with a market share of 7.45%, ranking up to the fourth in the industry; the Company had the lead underwriting amount of RMB29.526 billion, representing a decrease of 2.5% compared with the same period of last year, with a market share of 5.65%, an increase of 0.60 percentage point, ranking the sixth in the industry. The lead underwriting amount of bonds was RMB796.822 billion, representing a decrease of 5.2% compared with the same period of last year, ranking the fifth in the industry, in which, the lead underwriting amount of corporate bonds was RMB235.3 billion, representing an increase of 8.0% compared with the same period of last year, ranking the third in the industry, and the lead underwriting amount of enterprise bonds was RMB20.204 billion, representing a decrease of 37.0% compared with the same period of last year, ranking up to the fourth in the industry. The M&A and restructuring projects as approved by the CSRC and stock exchanges involved a transaction amount of RMB24.72 billion, representing an increase of 58.1% as compared with the same period of last year, ranking the fourth in the industry.

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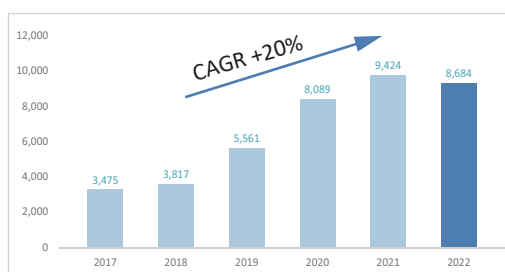
Scale of the Group's investment banking business in 2022

| | Item | Reporting Period | Corresponding period of last year |
|------------------|---|------------------|-----------------------------------|
| IPO | Number of lead underwritings | 31 | 25 |
| | Amount of lead underwritings (RMB100 million) | 295.26 | 302.83 |
| Refinancing | Number of lead underwritings | 37 | 47 |
| | Amount of lead underwritings (RMB100 million) | 420.40 | 712.95 |
| Enterprise bonds | Number of lead underwritings | 34 | 51 |
| | Amount of lead underwritings (RMB100 million) | 202.04 | 320.80 |
| Corporate bonds | Number of lead underwritings | 560 | 455 |
| | Amount of lead underwritings (RMB100 million) | 2,353.00 | 2,177.72 |
| Financial bonds | Number of lead underwritings | 122 | 118 |
| | Amount of lead underwritings (RMB100 million) | 1,881.21 | 2,408.77 |
| Other bonds | Number of lead underwritings | 1,368 | 1,241 |
| | Amount of lead underwritings (RMB100 million) | 3,531.97 | 3,501.08 |

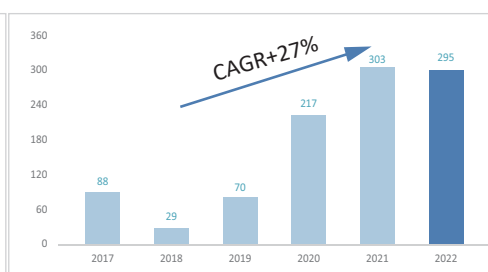
Source: Wind, the Company's business data.

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

Amount of lead underwriting of securities (RMB100 million)



Amount of lead underwriting of IPO (RMB100 million)



Source: Wind, the Company's business data.

Section III Discussion and Analysis of the Board of Directors

3. Institution and Transaction Business

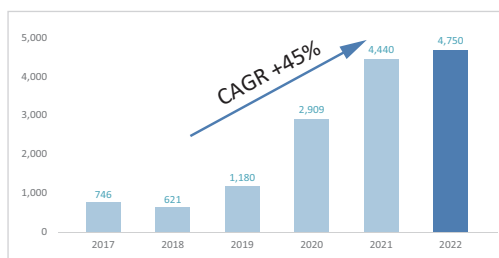
(1) Research Business

In 2022, in respect of research business, the Group continued to promote the construction of research system and professional sales team, actively empowered the business development, comprehensively strengthened research services for various institutional clients such as social security, insurance, and public offerings, and steadily promoted the integration of domestic and overseas research, with the market influence gradually increased. During the Reporting Period, a total of 9,739 research reports were completed; 2,659 teleconferences were held; and 37,835 institutional customers participated in our online and offline roadshows.

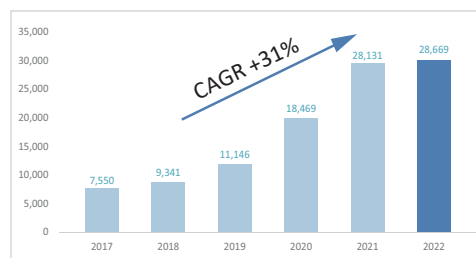
(2) Institution brokerage business

In 2022, in respect of institutional business, the Group focused on the comprehensive needs of key customers such as public and private equity, insurance, wealth management subsidiaries of banks and overseas institutions, established the classified service system for institutional customers and “1+N” comprehensive sales service model, optimized customer management, organizational structure and performance appraisal mechanism, strengthened the construction of Daohe platform and quantitative trading system, accelerated the layout of key areas, improved the coordination mechanism of crossed lines and added values, and continuously enhanced the comprehensive service ability for key customers with rapid growth of quantitative transactions, QFII, brokerage settlement and other businesses, steady increase in the share of stock-based transactions of institutional customers and custody outsourcing continuing to maintain a leading position in the industry. During the Reporting Period, the stock-based transaction volume of institutional customers amounted to RMB9.72 trillion, with a market share of 2.03%, representing an increase of 10.8% compared with the same period of last year. At the end of the Reporting Period, the customer asset size of PB (prime brokers) trading system amounted to RMB474.982 billion, representing an increase of 7.0% compared with the end of last year. Daohe-Xiaoshoutong developed quickly and achieved full coverage of all types of customers and products with a cumulative transaction scale of RMB27.692 billion. At the end of the Reporting Period, there were 19,002 products of various type under the custodian business, representing an increase of 21.9% compared with the end of last year; while there were 18,589 products of various type under the outsourcing business, representing an increase of 26.3% compared with the end of last year, and the asset size of custody and outsourcing businesses reached RMB2,866.9 billion, representing an increase of 1.9% compared with the end of last year. Among such business section, the number of private funds under custody continued to rank the second in the securities industry and the assets under our custody from mutual funds amounted to RMB198.9 billion, representing an increase of 43.3% compared with the end of last year, still ranking the first in the securities industry.

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



Assets under custody and outsourcing services (RMB100 million)



Source: the Company's business data.

Section III Discussion and Analysis of the Board of Directors

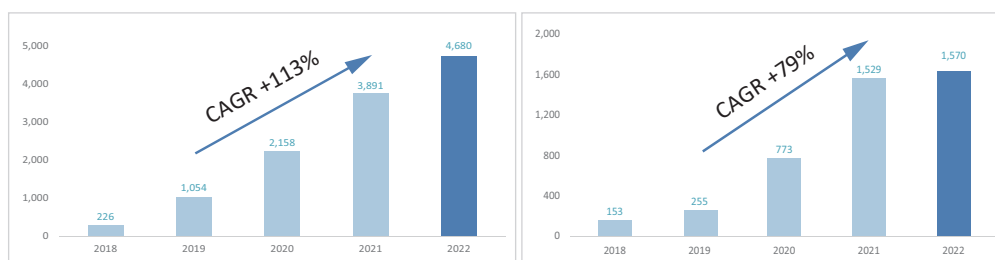
(3) Trading and investment business

According to statistics of Wind, in 2022, CSI 300 Index declined by 21.63% and ChinaBond Total Net Price (Total Value) Index rose by 0.11%, the exchange rate of USD against RMB increased by 9.08%, and Nanhua Commodity Index rose by 19.66%.

In respect of trading and investment business, the Group continued to focus on becoming an “outstanding financial asset trader”, actively developed the customer demand-oriented business, firmly transformed itself to low risk and non-directional businesses, and steadily enhanced the transaction pricing ability and the customer service ability.

In respect of the equity business, the Group adhered to a prudent investment strategy for equity investment and continued to optimize asset allocation, resulting in better returns from the relative return strategy. In respect of the scale of exchange-traded options for the market-making business, the Group continued to maintain a leading position in the industry, and was awarded the AA rating of Shanghai and Shenzhen Stock Exchange and the outstanding options market maker of CICC, with significant increase in the ETF market-making varieties and scale. The Group obtained multiple market-making qualifications such as the first batch of stock market makers on the Science and Technology Innovation Board, and the lead market maker of Zhong Zheng 500ETF Options. In respect of the OTC derivatives business, the Group actively carried out the client demand-driven transaction and product business, promoted the smooth development of the long-short income swap business, enhanced the cross-border integrated service capabilities for customer needs, and improve the innovation and supply capabilities of structured products with steady increase in business scale and the scale of transactions in the field of private placement maintaining an industry-leading position. In 2022, the cumulative amount of additional nominal principal of OTC equity derivatives amounted to RMB467.982 billion, representing an increase of 20.3% compared with the same period of last year. The closing balance of existing nominal principal amounted to RMB156.950 billion, representing an increase of 2.7% compared with the end of last year. Among which, the cumulative amount of additional nominal principal of OTC equity derivatives for cross-border business was RMB243.640 billion, representing an increase of 63.7% compared with the same period of last year; the balance of nominal principal at the end of the Reporting Period was RMB59.526 billion, representing an increase of 8.1% compared with the end of last year.

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



Source: the Company's business data.

Section III Discussion and Analysis of the Board of Directors

In respect of FICC business, the Group continuously enriched the profit model of proprietary investment, effectively grasped the market allocation and volatility trading opportunities in domestic and overseas markets, and achieved stable profitability. In 2022, the volume of spot bond transactions in the inter-bank bond market was RMB2.94 trillion, and the Bond Connect business ranked the third among securities firms, and was awarded as the “Excellent Bond Connect Market Maker”. In respect of the customer demand-oriented business, the Group enhanced its customer transaction capabilities, enriched customer demand-oriented product offerings, and continued to innovate in terms of the linked target and structure, resulting in a rapid growth in the scale of cross-border business. The nominal principal of FICC OTC derivatives increased by RMB272.284 billion in total, and the first OTC options and income certificates linked to public REITs were issued in the market. The cumulative transaction nominal principal of interest rate swaps was RMB1.79 trillion, ranking the first among securities firms; the scale of credit derivatives business increased by RMB17.845 billion, representing an increase of 241.0% compared with the same period of last year and ranking the first in the industry. In respect of the foreign exchange business, the Group continued to diversify its trading strategies, steadily carried out the RMB foreign exchange proprietary and foreign currency hedging trading business, steadily promoted customer demand-oriented businesses such as the settlement of funds from reduction of shareholding through the “Full Circulation” of H shares and the hedging of exchange rate risk under the “Southbound Stock Connect”, the scale of OTC options linked to foreign exchange grew significantly. In respect of the commodities business, the Group continued to steadily promote the exchange-traded proprietary trading of precious metals and commodities and cross-border OTC derivatives trading business, maintaining the diversification and stability of business models and achieving rapid development of cross-border commodity revenue swap business. In respect of carbon finance business, the Group actively explored and participated in the carbon emission allowance (CEA) trading model in the national market with an annual trading volume exceeding 5.5 million tons, and launched the first financing business based on an emission reduction trading agreement in the market and the first Shanghai carbon allowance OTC option business in the industry.

(4) Equity investment business

In 2022, Guotai Junan Zhengyu steadily promoted its strategic investment business, deepened its industrial development to explore investment opportunities and continued to improve its active investment capabilities. During the Reporting Period, there were 20 new investment projects with additional investment in amount of RMB1.451 billion and there were 6 projects which were divested. As of the end of the Reporting Period, there were 56 investment projects with an investment amount of RMB3.843 billion, of which, during the Reporting Period, there were 10 new co-investment projects on the Science and Technology Innovation Board, with an investment amount of RMB675 million; there were 21 co-investment projects with the co-investment amount of RMB1.178 billion at the end of the Reporting Period.

Section III Discussion and Analysis of the Board of Directors

Overview of equity investment business of Guotai Junan Zhengyu as at the end of 2022

| | At the end of the Reporting Period | At the end of last year |
|--|--|----------------------------|
| Number of investment projects at the end of the period (unit) | 56 | 42 |
| Including: co-investment projects on the Science and Technology Innovation Board and ChiNext (unit) | 21 | 16 |
| Amount of investment projects at the end of the period (RMB100 million) | 38.43 | 26.16 |
| Including: amount of co-investment on the Science and Technology Innovation Board and ChiNext (RMB100 million) | 11.78 | 7.20 |

Source: the Company's business data.

4. Investment management business

(1) Asset management

According to the statistics of the SAC, as of the end of 2022, assets under management of securities companies were RMB9.76 trillion in aggregate, representing a decrease of 9.7% compared with the end of last year.

In 2022, Guotai Junan Asset Management optimized its organizational structure, restructured the buy-side investment and research system, steadily improved its investment and research capabilities, accelerated the establishment of public and private products, steadily increased the scale of assets under management, successfully completed the issuance of Lingang and Dongjiu REITs' projects and continuously lead the industry in terms of the scale of ABS. As at the end of the Reporting Period, assets under management of Guotai Junan Asset Management amounted to RMB433.365 billion, representing an increase of 12.8% compared with the end of last year, among which, the scale of collective assets under management amounted to RMB154.632 billion, representing an increase of 44.8% compared with the end of last year; the scale of specialized assets under management amounted to RMB109.888 billion, approximately flat with the end of last year; the scale of mutual funds under management was RMB44.414 billion, representing an increase of 84.2% compared with the end of last year. During the Reporting Period, 14 public offering products were newly issued, with a total IPO size of RMB4.095 billion, covering various categories such as bonds, index enhancement, hybrid, public offering REITs, pension FOF. There are 30 existing public offering products at the end of the period.

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Assets under management of Guotai Junan Asset Management as at the end of 2022 (Unit: RMB100 million)

| Business categories | At the end of the Reporting Period | At the end of last year |
|--|------------------------------------|-------------------------|
| Scale of targeted asset management business | 1,244.31 | 1,431.77 |
| Scale of collective asset management business | 1,546.32 | 1,068.10 |
| Scale of specialized asset management business | 1,098.88 | 1,101.20 |
| Scale of mutual funds management business | 444.14 | 241.18 |

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

Source: the Company's business data.

(2) Private equity fund management

According to the statistics of the Asset Management Association of China, as of the end of 2022, there were 14,303 registered private equity/venture investment fund managers, representing a decrease of 4.7% compared with the end of last year, there were 31,525 private equity investment funds under management with a scale of RMB10.94 trillion, representing an increase of 4.1% compared with the end of last year.

In 2022, Guotai Junan Innovation Investment deeply cultivated key industries, further explored high-quality projects, actively deployed diversified business, steadily promoted fund raising and investment development, strengthened the construction of post-investment management system, fully improved the core business capabilities of "fundraising, investment, management and withdrawal". During the Reporting Period, Shanghai Lingang Guotai Junan Technology Frontier Industry Fund (上海臨港國泰君安科技前沿產業基金) and Shanghai Urban Renewal Guidance Private Equity Fund (上海城市更新引導私募基金) were established with a subscribed capital of RMB18.022 billion. 20 new investment projects (including sub-funds) were established under its funds with subscribed capital contribution of RMB2.426 billion. Guotai Junan Fund of Funds focused on key industries to proceed with external investments steadily. As at the end of the Reporting Period, the subscription amount for external investments was RMB5.217 billion.

Overview of Guotai Junan Innovation Investment private equity fund business as at the end of 2022

| | At the end of the Reporting Period | At the end of last year |
|--|------------------------------------|-------------------------|
| Number of managed funds (unit) | 37 | 40 |
| Cumulative committed capital of managed funds (RMB100 million) | 573.34 | 429.02 |
| Cumulative paid-in capital of managed funds (RMB100 million) | 399.85 | 388.35 |

Source: the Company's business data.

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(3) Fund management

According to the statistics of the Asset Management Association of China, as at the end of 2022, the assets under management (AUM) of mutual funds management institutions was RMB26.03 trillion, representing an increase of 1.8% compared with the end of the last year, among which assets under management of non-monetary funds was RMB15.58 trillion, representing a decrease of 3.2% compared with the end of the last year.

In 2022, HuaAn Funds continuously strengthened the construction of investment and research capabilities, built a centralized investment and research platform and a diversified asset management team, achieved rapid growth in its designated account business, and maintained a leading position in the industry in terms of medium and long-term investment performance; strengthened product innovation and successfully issued the first batch of domestic cross-market policy bank bond ETF, the first batch of Sci-Tech Innovation Board industry ETFs and the first batch of SZSE-listed digital economic themed ETF. Six pension targeted funds were shortlisted in the first batch of individual pension product catalogs. Its product lines of robust products and index funds were further enriched.

Scale of assets under management of HuaAn Funds as at the end of 2022 (Unit: RMB100 million)

| | At the end of the Reporting Period | At the end of last year |
|--|--|----------------------------|
| Scale of assets under management | 6,225.65 | 6,504.26 |
| Scale of assets under management of mutual funds | 5,522.95 | 5,968.62 |
| Scale of assets under management of non-monetary mutual funds | 3,327.96 | 3,822.93 |
| Scale of assets under management of non-mutual funds | 702.70 | 535.64 |

Source: the Company's business data.

5. International business

The Group conducted brokerage, corporate finance, asset management, loans and financing, financial products, market-making and investment business in Hong Kong, mainly through Guotai Junan International. The Group has also actively expanded presence into the United States, Europe and Southeast Asia. In 2022, Guotai Junan International maintained a profitable results by prudently responding to market volatility, optimizing business structures in a timely manner, strengthening hedging and reducing risk exposure, steadily developing capital intermediary business, strengthening its overseas business layout and continuously promoting cross-border integration. Its comprehensive competitiveness continued to stay at the forefront of Chinese securities companies in Hong Kong. As at the end of the Reporting Period, the asset size of custody amounted to HK\$164.6 billion.

Section III Discussion and Analysis of the Board of Directors

Major components of revenue of Guotai Junan International for 2022 (Unit: HK\$'000)

| Item | During the Reporting Period | During the same period |
|-----------------------------------|-----------------------------|------------------------|
| Fee and commission income | 866,142 | 1,626,079 |
| Interest income | 1,896,682 | 2,280,539 |
| Net trading and investment income | -447,907 | 59,797 |
| Total revenue | 2,314,917 | 3,966,415 |

Source: relevant announcements of Guotai Junan International.

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

(I) INDUSTRY CONDITIONS OF THE COMPANY

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

In 2022, affected by multiple factors in domestic and external environments, the securities market fluctuated greatly, and the industry showed its cyclical nature, experiencing declining profitability for the first time in nearly four years. According to the parent company statistical caliber of the SAC, in 2022, the PRC securities industry recorded an operating revenue of RMB394.973 billion and a net profit of RMB142.301 billion, representing a decrease of 21.0% and 25.3%, respectively, compared with the corresponding period of last year; as of 31 December 2022, the total assets, net assets and net capital of the PRC securities industry amounted to RMB11.06 trillion, RMB2.79 trillion and RMB2.09 trillion, respectively, representing an increase of 4.8%, 9.2% and 5.4%, respectively, compared with the end of last year.

Meanwhile, in 2022, in the face of multiple shocks beyond expectation, the capital market has continued to deepen the pace of reform and opening up. With full implementation of the stock issuance registration system, the formation of a regular delisting pattern, the launch of the STAR Market maker system, and the official implementation of the Futures and Derivatives Law (《期貨和衍生品法》), the construction of the basic system of the capital market has been continuously improved; various policies and measures such as accelerating the high-quality development of the mutual funds industry and personal pension investment in mutual funds have been successively introduced and the pilot scope of public REITs has been gradually expanded, and market functions have been improved to create more room for high-quality institutions to vitalize innovation. Important achievements have been made in China-US cooperation in audit and supervision, along with the issuance of the overseas listing filing system and the continuous improvement of the connectivity mechanism between domestic and overseas markets, have altogether promoted the continued expansion of high-level institutional opening-up of the capital market, and also brought new development opportunities to the securities industry.

Section III Discussion and Analysis of the Board of Directors

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

(II) Position of the Company in the industry

Since its inception, the comprehensive strength of the Group has been standing at the top of the industry. Since 2011, the Group has ranked among the top three companies in the industry in terms of operating revenue and ranked among the top four companies in the industry in terms of total assets and net profit. According to the parent company statistical caliber of the SAC, the Company ranked the third, fourth, third, second and third in the industry, respectively, in terms of total assets, net assets, net capital, operating revenue and net profit in 2022.

III. MAJOR AWARDS AND HONORS

| Winner | Issuer | Awards or honors |
|-------------|---|---|
| The Company | State-owned Assets Supervision and Administration Commission of the State Council | State-owned Enterprise Corporate Governance Demonstration Enterprise Outstanding Cases regarding Social Responsibility in Blue Book of Social Responsibility of State-owned Assets and Enterprises (2022) |
| | Award Office for Science and Technology of the Securities and Futures Industry | 1 second prize, 1 third prize and 2 excellent awards in the 8th Securities and Futures Industry Science and Technology Awards |
| | China Securities Journal | Golden Bull Securities Company, Golden Bull Award for Cultural Construction of Securities Company, Golden Bull Award for Social Responsibility of Securities Company, Golden Bull Award for Financial Technology of Securities Company of 2022 Golden Bull Award in Chinese Securities Industry |
| | National Business Daily | Top 3 Listed Company in Chinese Securities Industry in Terms of Brand Value of Golden Tripod Awards in 2022 |

Section III Discussion and Analysis of the Board of Directors

| Winner | Issuer | Awards or honors |
|------------------------------------|------------------------------------|---|
| Wealth management business | China Securities Journal | Golden Bull Award for Golden Bull Wealth Management Team in Chinese Securities Industry in 2022 |
| | Securities Times · Brokerage China | Junding Award for All-round Wealth Broker and Junding Award for Fund Investment Advisory in Chinese Securities Industry in 2022, for Digital Transformation of the Securities Industry in China, “All-round Junding Award”, “Junding Award for Top 10 Brands of APP”, “Junding Award for Investment Advisory Service APP” and “Junding Award for Outstanding Practice Case of Digital Operation of APP” |
| | China Fund | 2022 Ying Hua Awards: Outstanding Wealth Management Brokerage, Outstanding Brokerage APP, Outstanding Active Portfolio by Investment Advisor |
| | JRJ.com | The Financial Sector Pioneering China “Golden Wisdom Award” – Outstanding Wealth Management Award in 2022 |
| | National Business Daily | China Golden Tripod Award for the Most Popular App in 2022 |
| | Shanghai Stock Exchange | Top 10 Option Brokers of 2021 |
| | Futures Daily& Securities Times | The Best Futures Company in China and the Best Financial Futures Service Award in the 15th China Best Futures Operator and Best Futures Analyst Awards |
| | China Financial Futures Exchange | Platinum Award, Risk Management Award, Technical Service Award, Institutional Service Award of 2022 Excellent Member Comprehensive Award |
| Investment banking business | Shanghai Stock Exchange | Outstanding Underwriters of Corporate Bonds in 2022, Outstanding Underwriters of Industrial Bonds, Outstanding Underwriters in Serving National Strategy, Outstanding Participating Institution in Credit Protection Tool Business, the demonstration Case of Bond Credit Risk Management (the first batch of new credit enhancement models of ‘central-local cooperation’ to facilitate the bond financing model of private enterprises) |

Section III Discussion and Analysis of the Board of Directors

| Winner | Issuer | Awards or honors |
|--------|---|--|
| | Shenzhen Stock Exchange | Excellent Intermediary Agency for Fixed Income Innovative Products in 2022, Excellent Corporate Bond Underwriter, Excellent Interest Rate Bond Underwriter |
| | China Government Securities Depository Trust & Clearing Co., Ltd. | ChinaBond member business development quality evaluation in 2022- Annual Bond Market Leader, Excellent Bond Underwriting Institution, Outstanding Corporate Bond Underwriting Institution, Outstanding Local Bond Underwriting Institution |
| | New Fortune | 16 awards including Best Local Investment Bank, Best Investment Bank in Equity Underwriting, Best Investment Bank in Debt Underwriting, Best Refinancing Investment Bank, Best IPO Investment Bank, Best Investment Bank in Mergers and Acquisitions, Best Investment Bank in Mass Consumption Industry, Best Investment Bank in Big Health Industry, Best Investment Bank in Technology and Smart Manufacturing Industry and Best Investment Bank in New Energy Industry awarded in the 15th Best Investment Bank |
| | China Securities Journal | Top 10 Listed Sci-tech Enterprises for Securities Companies in 2022 |
| | Securities Times · Brokerage China | 2022 Jun Ding Award for Full-Service Investment Bank in China Securities Industry, Jun ding Award for Investment Banks on Science and Technology Innovation Board of China Securities Industry, Jun ding Award for Investment Banks of Shanghai and Shenzhen Main Board of China Securities Industry |
| | National Business Daily | China Golden Tripod Award for the Best Bond Underwriter Team of A Shares in 2022 |
| | Caijing | Best Service Provider on STAR Market in 2022 |
| | Wind | 17 awards including Best Investment Bank, Best A-Share Equity Underwriter, Best A-Share IPO Underwriter, Best Equity Underwriter, and Best Bond Underwriter |
| | Yicai | Annual Top 10 Investment Banks |

Section III Discussion and Analysis of the Board of Directors

| Winner | Issuer | Awards or honors |
|---|---|--|
| Institution and transaction business | China Government Securities Depository Trust & Clearing Co., Ltd. | 2022 Top 100 Self-operated Settlement Award, Outstanding Contribution Award to Collateral Business, Outstanding Investment and Research Ability Award, Non-Silver Innovation Leading Pioneer Award |
| | Bond Connect Company Limited | 2022 Excellent Market Maker of Bond Connect |
| | Shanghai Clearing House | 2022 Net Bonds Proprietary Liquidation Excellence Award, Bulk Commodity Proprietary Liquidation Excellence Award, Interest Rate Swap Proprietary Liquidation Excellence Award, Excellent Credit Default Swap Quotation Business Participant |
| | National Interbank Funding Center | 2022 Bond Underwriting (Underwriters) Innovation Award, Bond Strategy Trading Innovation Award, Automated Trading Innovation Award |
| | Shanghai Stock Exchange | Outstanding Stock Market Maker on STAR Market in 2022, Outstanding Underwriter for Serving National Strategy, Outstanding Bond Investment Institution, Outstanding Participant in Bond Lending, Outstanding Participant in Credit Protection Tool Business |
| | New Fortune | In the 20th New Fortune Best Analyst Awards, a total of 11 research teams were shortlisted and 5 research teams were on the list, which was awarded the New Fortune Outstanding Research Leader |
| | The Asset | Best Custodian Institution (brokerage) and Best Private Equity Fund Administrative Outsourcing Institution in China in 2022 |
| | National Business Daily | China Golden Tripod Awards for 2022 Most Influential Custodian Broker, Best Custodian Broker of the Year |
| | China Fund | Ying Hua Award for Best Private Funds Custody Broker |

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| Winner | Issuer | Awards or honors |
|---------------------------------------|------------------------------------|---|
| Investment management business | Securities Times · Brokerage China | 2022 Junding Award for All-round Asset Management Institution in China Securities Industry, Junding Award for Asset Management Fixed Income Team, Junding Award for Asset Management ABS Team, Junding Award for Asset Management Quantitative Team, Junding Award for Quantitative Asset Management Plan |
| | China Fund | Outstanding Broker Asset Management Award, Outstanding Innovative Broker Asset Management Award of Ying Hua Award |
| | China Securities Journal | The 6th China Equity Investment Golden Bull Awards for Golden Bull Securities Firm Equity Investment Outstanding Institution and Golden Bull Best Innovative Case |
| | China Venture Institute | 2022 China's Best Venture Capital Limited Partner TOP 30, China's Best FoFs TOP 30, China's Most Popular FoFs TOP 30 among GPs, and China's State-owned Investment Institutions TOP 50 |
| | China Securities Journal | Two Golden Bull Awards in the 19th China Fund Industry Golden Bull Awards · Golden Bull Passive Investment Fund Company |
| | Securities Times | The 17th China Fund Industry Star Fund Award for Three Years of Passive Investment in Star Fund Companies |
| International business | Bond Connect Company Limited | 2022 Primary Market Innovation Award |
| | Securities Times · Brokerage China | Junding Award for Hong Kong Stock Brokers in Securities Industry of China in 2022 |
| | Institutional investor | 16 rankings and awards in the 2022 All-Asia Executive Team ranking list (including 10 in Asia and 6 in Mainland China), the Most Respected Enterprise in Asia |

Section III Discussion and Analysis of the Board of Directors

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

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

In terms of specific businesses:

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

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

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

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

Our international business provides brokerage, corporate finance, asset management, loans and financing, financial products, market-making and investment business in Hong Kong by the Group, mainly through Guotai Junan International, with its business presence expanded into the United States, Europe and Southeast Asia.

The Group realized a total revenue and other income of RMB49.087 billion in 2022, representing a decrease of 12.98% as compared to the same period of last year; the profit for the year attributable to equity holders of the Company amounted to RMB11.507 billion, representing a decrease of 23.35% as compared to the same period of last year.

The Group's business composition and income drivers for 2022

| Principal business category | Total revenue and other income (RMB thousands) | Increase Compared with the same period of last year (%) | Contribution to total revenue and other income (%) |
|-------------------------------|--|---|--|
| Wealth Management | 18,372,780 | -18.02 | 37.43 |
| Investment banking | 4,215,706 | 12.83 | 8.59 |
| Institutional and transaction | 21,534,750 | -10.71 | 43.87 |
| Investment management | 1,718,603 | -6.24 | 3.50 |
| International business | 2,436,634 | -33.46 | 4.96 |
| Other | 808,448 | 24.00 | 1.65 |
| Total | 49,086,921 | -12.98 | 100.00 |

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

As at the end of 2022, the total assets of the Group amounted to RMB860.689 billion, representing an increase of 8.77% as compared to the end of the last year. Of which, cash held on behalf of brokerage customers amounted to RMB158.868 billion, accounting for 18.46% of the total assets; margin accounts receivable amounted to RMB87.116 billion, accounting for 10.12% of the total assets; financial assets at fair value through profit or loss amounted to RMB331.401 billion, accounting for 38.50% of the total assets; financial assets held under resale agreements amounted to RMB71.136 billion, accounting for 8.26% of the total assets; and debt instruments measured at fair value through other comprehensive income amounted to RMB61.189 billion, accounting for 7.11% of the total assets;

Of which, offshore assets amounted to 109.844 (Unit: billion yuan, Currency: RMB), accounting for 12.76% of the total assets.

V. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

The Group is a long-term, consistent and across-the-board leader in the PRC securities industry, providing integrated financial services. The Group has experienced the entire history and multiple cycles of the development of the PRC capital market and has stood at the forefront of the capital market through trials and hardships. It has maintained its leading position in the industry in terms of capital scale, profitability, business strength and risk management capabilities. During the long development process, the Group has gradually developed three core competitive advantages of integrated service platform, leading digital technology and sound compliance culture, which have played an irreplaceable pillar role in the long-term sustainable and stable development of the Group.

(I) Integrated service platform

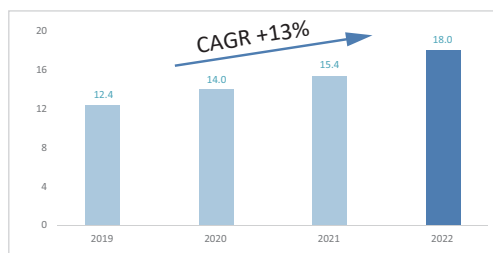
The Group has all the required licences and a comprehensive business scope, with nationwide layout and overseas presence. Its main business ranks among the top in the industry, with strong comprehensive service capabilities. Since its establishment by way of merger, the Group has always adhered to the concept of integrated services and provided customers with integrated services, so that its competitiveness has continued to rise, operating performance has maintained growth and leading position has been consolidated. In 1999, faced with the mission of full consolidation and deep integration, the Group proposed the development direction of “adhering to customer-centric” integrated services. After its A-share listing in 2015, the Group actively capitalized on the advantages of resource endowments and explored and promoted synergy. Since 2020, in response to new changes in customer demand and market landscape, the Group actively seized the opportunity of the comprehensive reform of state-owned assets and state-owned enterprises, further promoted integrated services, and set up three collaborative development committees for retail, institutional and corporate customers, and a cross-border business collaborative development committee, optimized and improved the supporting guarantee mechanism for collaborative business development, resulting in closer coordination and cooperation between the head office and subsidiaries and the various business lines, thereby gradually improving the advantages of the Group's comprehensive financial service platform. In 2022, the Company further clarified the goals, methods and tasks of building an “integrated service platform”, promoted cross-line and cross-divisional collaboration at home and abroad, upgraded and built a Synergy 2.0 model. The “wealth management + asset management” and “institutional services + corporate services” coordination mechanisms continued to deepen, the “investment bank + ” ecological construction became more mature, and cross-border integration made steady progress. While making breakthroughs in key collaborative businesses, we deepened reform and innovation in organizational management, strived to strengthen regional collaborative development, set up the Guangdong-Hong Kong-Macao Greater Bay Area Collaborative Development Committee and put it into rapid operation, resulting in gradually improvement of the “customer-centric” integrated service system.

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(II) Leading digital technology

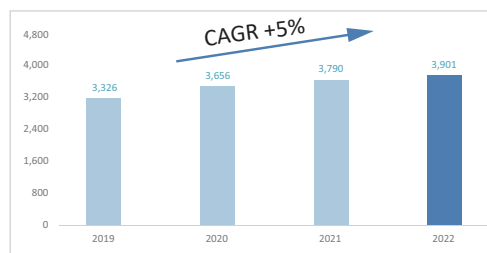
The Group places great emphasis on strategic investment in technology and continuously promotes proprietary financial technology innovation. The Group is a pioneer in the application of financial technology in the securities industry, and its investment in information technology has always been at the forefront of the industry. In 2003, in response to the industry's large-scale and intensive development trend, the Group took the lead in building a centralized trading system for large-scale application. In 2014, the Group built the industry's first high-level, large-capacity and park-type green data center, which effectively guaranteed the stable operation of the system under extreme market conditions in 2015. Since 2020, in the face of the new development trend of accelerated integration and deep mutual embedding between the securities industry and digital technology, the first in the industry to creatively put forward the comprehensive digital transformation vision of building a "SMART investment bank" and the ecological development concept of "open securities", the construction of projects such as the group management cockpit and cross-sector financial technology laboratory have been successively launched, leading the development of digital technology in the industry, and the continuous investment in digital technology plays an increasingly important role in enhancing customer experience, promoting business development and improving management capabilities. Since its establishment by way of merger, the Group has won 21 science and technology awards in China's securities and futures industry. Levels and numbers of awards ranked the first in the industry. During the Reporting Period, the Group was the first company in the industry which completed the full conversion of the new generation of core trading system for information technology application and innovation, and steadily promoted the construction of key projects such as Daohe Xiaoshoutong (道合销售通) system, Long-Short Return Swap System(多空收益互换系统), Quanyuantong 3.0 (券源通 3.0) and Enterprise Customer CRM (企业客户CRM), and continued to optimize the digital wealth management platform with Jun Hong APP as the core and the integrated service platform for institutional clients with the Daohe APP as the core, thereby digital technology capabilities have been continuously improved. At the end of the Reporting Period, Jun Hong APP ranked the second in the industry in terms of average monthly active users, with mobile terminal users of 39.01 million, representing an increase of 2.9% as compared with the end of precious year. The accumulated number of users of the Daohe platform was 63,400, with a coverage of 8,045 institutional and corporate customers, representing an increase of 23.8% and 16.1% respectively as compared with the end of last year. In 2022, the Company's investment in information technology^{note} was RMB1.799 billion, representing an increase of 17.2% as compared with the previous year.

**Investment in information technology
(RMB100 million)**



Note: Based on the data of Securities Association of China.

**Users of Jun Hong APP
(10,000 users)**



Source: the Company's business data.

(III) Sound compliance culture

The Group firmly believes that risk management is the primary core competitiveness of securities companies. Since its establishment, the Group has committed to the business values of soundness and compliance, adhered to the corporate culture of soundness and compliance, and established a comprehensive and effective risk management and internal control system. In addition, the Group has accurately identified and effectively managed risks through a sound risk management system, scientific risk management models and methods and advanced risk management methods, which has promoted the long-term sustainable and comprehensive development of the Group. At the beginning of its establishment by way of merger in 1999, the Company proposed to focus on the main business and "earn profits under the sun". During the integrated management period of the industry from 2004 to 2007, the Company pioneered the third-party custody

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model and successfully passed through the industry cycle. In 2015, in the face of abnormal fluctuations in the stock market, the Company took the lead in making counter-cyclical adjustment in respect of its margin financing and securities lending business, which maximized the safety of customer assets. In recent years, in the face of the new environment of the implementation of the new securities law and the increasingly stricter compliance and risk control, the Company has established a group audit center to consolidate the foundation of a group-based unified risk management system, strived to build three lines of defense, namely “business units, compliance risk control and audit”, promoted the formation of a complete set of scientific, complete, efficient, intensive and professional group-based comprehensive risk control management system and comprehensively built a lifeline for high-quality development. During the Reporting Period, the Group constantly strengthened its comprehensive risk pre-warning and response capabilities, continuously improved the refined level of compliance risk management, and steadily propelled its risk management to shift from post-mortem to forward-looking judgment, from passive management to active empowerment, ensuring the stable and healthy development of the Group. So far, the Company has attained the Grade AA rating in Class A from the CSRC for 15 consecutive years and the securities company cultural construction practice evaluation results for 2021 of Grade AA in Class A.

VI. PRINCIPAL OPERATION CONDITION DURING THE REPORTING PERIOD

(I) Analysis of financial statements

1. Analysis of consolidated statements of profit or loss

(1) Total revenue and other income structure

Unit: thousand yuan Currency: RMB

| Items | January to December of 2022 | | January to December of 2021 | | Changes | |
|--|--------------------------------|----------------|--------------------------------|----------------|-------------------|----------------|
| | Amount | Component | Amount | Component | Amount | Proportion |
| Fee and commission income | 17,731,799 | 36.12% | 19,880,642 | 35.24% | -2,148,843 | -10.81% |
| Interest income | 15,586,674 | 31.75% | 15,752,963 | 27.93% | -166,289 | -1.06% |
| Net investment gains | 5,538,527 | 11.28% | 10,300,204 | 18.26% | -4,761,677 | -46.23% |
| Total revenue | 38,857,000 | 79.15% | 45,933,809 | 81.43% | -7,076,809 | -15.41% |
| Gain on business combination | 1,478,368 | 3.01% | - | 0.00% | 1,478,368 | N/A |
| Gain on losing control of a subsidiary | - | 0.00% | 1,138,769 | 2.02% | -1,138,769 | -100.00% |
| Other income and gains | 8,751,553 | 17.84% | 9,338,609 | 16.55% | -587,056 | -6.29% |
| Total revenue and other income | 49,086,921 | 100.00% | 56,411,187 | 100.00% | -7,324,266 | -12.98% |

In 2022, the Group realized a total revenue and other income of RMB49.087 billion, representing a decrease of 12.98% as compared to the same period of last year. Of which, fee and commission income amounted to RMB17.732 billion, accounting for 36.12% and representing a decrease of 10.81% as compared to the same period of last year, which was mainly due to a decrease in the transaction volume in the market as compared to the same period of last year;

Net investment gains amounted to RMB5.539 billion, accounting for 11.28% and representing a decrease of 46.23% as compared to the same period of last year, which was mainly due to a decrease in returns on investment in financial instruments at fair value through profit or loss;

Gain on business combination amounted to RMB1.478 billion, accounting for 3.01% and representing gains on revaluation of shareholding percentage in HuaAn Funds.

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(2) Total expenses structure

Unit: thousand yuan Currency: RMB

| Items | January to December 2022 | | January to December 2021 | | Changes | |
|--|-----------------------------|----------------|-----------------------------|----------------|-------------------|---------------|
| | Amount | Component | Amount | Component | Amount | Proportion |
| Fee and commission expenses | 3,532,038 | 9.89% | 3,930,995 | 10.39% | -398,957 | -10.15% |
| Interest expenses | 10,822,099 | 30.31% | 10,162,410 | 26.86% | 659,689 | 6.49% |
| Staff costs | 9,537,139 | 26.72% | 10,286,478 | 27.19% | -749,339 | -7.28% |
| Depreciation and amortization expenses | 1,305,198 | 3.66% | 1,267,222 | 3.35% | 37,976 | 3.00% |
| Tax and surcharges | 214,789 | 0.60% | 190,678 | 0.50% | 24,111 | 12.64% |
| Other operating expenses and costs | 10,728,581 | 30.05% | 11,658,102 | 30.81% | -929,521 | -7.97% |
| Provision for impairment losses | 24,261 | 0.07% | 721 | 0.00% | 23,540 | 3,264.91% |
| Credit loss expense | -464,575 | -1.30% | 341,023 | 0.90% | -805,598 | -236.23% |
| Total expenses | <u>35,699,530</u> | <u>100.00%</u> | <u>37,837,629</u> | <u>100.00%</u> | <u>-2,138,099</u> | <u>-5.65%</u> |

In 2022, the Group's total expenses amounted to RMB35.700 billion, representing a decrease of 5.65% compared with the same period of last year, among which: staff costs amounted to RMB9.537 billion, accounting for 26.72%, decreased by 7.28% compared with the same period of last year, primarily due to the decrease in the staff expenses of the Group; credit loss expense amounted to RMB-465 million, accounting for -1.30%, primarily due to the changes in market environment and project conditions, leading to the reversal of impairment provision for the current period after combining with the assessment with the expected credit loss model.

2. Analysis of consolidated statements of cash flows

In 2022, the net increase in cash and cash equivalents of the Group was RMB11.361 billion, among which:

Net cash generated from operating activities was RMB44.321 billion, primarily due to (i) an increase of RMB21.966 billion in accounts payable to brokerage customers which was due to changes in securities market conditions; (ii) an increase of RMB8.167 billion in financial assets sold under repurchase agreements which was due to an increase in the size of bonds sold under repurchase agreements; and (iii) a decrease of RMB22.443 billion in margin accounts receivable which was due to changes in securities market conditions. These cash inflows were partially offset by (i) an increase of RMB15.283 billion in financial instruments at fair value through profit or loss and derivative financial instruments, primarily due to the allocation of bonds, funds and other investment amounts based on customer demand; and (ii) an increase of RMB18.087 billion in refundable deposits, primarily due to the increase in futures deposits.

Net cash generated from investing activities was RMB1.675 billion, which was primarily due to the cash of RMB39.044 billion proceeds from disposal of financial assets at fair value through other comprehensive income and other investments, which was partially offset by the payment of RMB38.378 billion in cash for the purchases of financial assets at fair value through other comprehensive income and other investments, reflecting the Group's adjustment to the transaction and investment structure.

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Net cash used in financing activities was RMB34.635 billion, primarily due to (i) cash payments of RMB91.869 billion for repayment of debt securities issued; and (ii) cash payments of RMB48.557 billion for repayment of loans and borrowings. These cash outflows were partially offset by (i) cash of RMB54.621 billion received from loans and borrowings; (ii) cash of RMB30.206 billion received from issuance of bonds; and (iii) cash of RMB28.824 billion received from issuance of short-term debt instruments.

3. Analysis of consolidated statements of financial position

Unit: thousand yuan Currency: RMB

| Items | 31 December 2022 | | 31 December 2021 | | Changes | |
|---|--------------------|----------------|--------------------|----------------|-------------------|---------------|
| | Amount | Component | Amount | Component | Amount | Proportion |
| Non-current assets | | | | | | |
| Property and equipment | 3,176,858 | 0.37% | 2,940,786 | 0.37% | 236,072 | 8.03% |
| Investment property | 1,094,163 | 0.13% | 973,275 | 0.12% | 120,888 | 12.42% |
| Right-of-use assets | 2,388,079 | 0.28% | 2,486,964 | 0.31% | -98,885 | -3.98% |
| Goodwill | 4,070,761 | 0.47% | 20,896 | 0.00% | 4,049,865 | 19,381.05% |
| Other intangible assets | 733,799 | 0.09% | 662,890 | 0.08% | 70,909 | 10.70% |
| Investments in associates | 6,362,391 | 0.74% | 7,434,717 | 0.94% | -1,072,326 | -14.42% |
| Investments in joint ventures | 5,081,873 | 0.59% | 5,492,824 | 0.69% | -410,951 | -7.48% |
| Debt investments at amortised cost | 2,787,707 | 0.32% | - | - | 2,787,707 | N/A |
| Debt instruments at fair value through other comprehensive income | 56,359,547 | 6.55% | 55,034,775 | 6.96% | 1,324,772 | 2.41% |
| Equity instruments at fair value through other comprehensive income | 2,331,288 | 0.27% | 2,480,358 | 0.31% | -149,070 | -6.01% |
| Financial assets held under resale agreements | 298,860 | 0.03% | 1,893,344 | 0.24% | -1,594,484 | -84.22% |
| Financial assets at fair value through profit or loss | 21,126,943 | 2.45% | 19,946,824 | 2.52% | 1,180,119 | 5.92% |
| Refundable deposits | 58,922,817 | 6.85% | 40,795,692 | 5.16% | 18,127,125 | 44.43% |
| Deferred tax assets | 2,437,814 | 0.28% | 1,845,465 | 0.23% | 592,349 | 32.10% |
| Other non-current assets | 154,482 | 0.02% | 103,751 | 0.01% | 50,731 | 48.90% |
| Total | 167,327,382 | 19.44% | 142,112,561 | 17.94% | 25,214,821 | 17.74% |
| Current assets | | | | | | |
| Accounts receivable | 11,759,050 | 1.37% | 9,312,022 | 1.18% | 2,447,028 | 26.28% |
| Other current assets | 2,913,113 | 0.34% | 2,911,292 | 0.38% | 1,821 | 0.06% |
| Margin accounts receivable | 87,115,509 | 10.12% | 109,287,307 | 13.81% | -22,171,798 | -20.29% |
| Debt investments at amortised cost | 368,442 | 0.04% | - | - | 368,442 | N/A |
| Debt instruments at fair value through other comprehensive income | 4,829,768 | 0.56% | 11,803,641 | 1.49% | -6,973,873 | -59.08% |
| Financial assets held under resale agreements | 70,837,360 | 8.23% | 57,689,409 | 7.29% | 13,147,951 | 22.79% |
| Financial assets at fair value through profit or loss | 310,274,301 | 36.05% | 264,438,237 | 33.42% | 45,836,064 | 17.33% |
| Derivative financial assets | 8,232,823 | 0.96% | 4,157,399 | 0.53% | 4,075,424 | 98.03% |
| Clearing settlement funds | 7,414,914 | 0.86% | 6,726,022 | 0.85% | 688,892 | 10.24% |
| Cash held on behalf of brokerage customers | 158,867,961 | 18.46% | 151,178,698 | 19.11% | 7,689,263 | 5.09% |
| Cash and bank balances | 30,747,924 | 3.57% | 31,656,227 | 4.00% | -908,303 | -2.87% |
| Total | 693,361,165 | 80.56% | 649,160,254 | 82.06% | 44,200,911 | 6.81% |
| Total assets | 860,688,547 | 100.00% | 791,272,815 | 100.00% | 69,415,732 | 8.77% |

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| Items | 31 December 2022 | | 31 December 2021 | | Changes | |
|--|--------------------|----------------|--------------------|----------------|-------------------|---------------|
| | Amount | Component | Amount | Component | Amount | Proportion |
| Current liabilities | | | | | | |
| Loans and borrowings | 9,847,547 | 1.41% | 4,340,789 | 0.68% | 5,506,758 | 126.86% |
| Short-term debt instruments | 13,649,479 | 1.96% | 46,021,302 | 7.18% | -32,371,823 | -70.34% |
| Placements from other financial institutions | 12,967,205 | 1.86% | 12,108,833 | 1.89% | 858,372 | 7.09% |
| Accounts payable to brokerage customers | 195,718,783 | 28.09% | 172,483,608 | 26.92% | 23,235,175 | 13.47% |
| Employee benefits payable | 9,057,704 | 1.30% | 8,424,175 | 1.31% | 633,529 | 7.52% |
| Income tax payable | 1,698,975 | 0.24% | 2,015,777 | 0.31% | -316,802 | -15.72% |
| Financial assets sold under repurchase agreements | 173,236,682 | 24.86% | 164,884,092 | 25.74% | 8,352,590 | 5.07% |
| Financial liabilities at fair value through profit or loss | 48,327,552 | 6.94% | 33,950,820 | 5.30% | 14,376,732 | 42.35% |
| Derivative financial liabilities | 9,790,659 | 1.40% | 9,752,873 | 1.52% | 37,786 | 0.39% |
| Bonds payable | 33,724,583 | 4.84% | 32,246,542 | 5.03% | 1,478,041 | 4.58% |
| Contract liabilities | 96,601 | 0.01% | - | - | 96,601 | N/A |
| Lease liabilities | 571,474 | 0.08% | 510,987 | 0.08% | 60,487 | 11.84% |
| Other current liabilities | 64,786,119 | 9.31% | 43,915,745 | 6.87% | 20,870,374 | 47.52% |
| Total | 573,473,363 | 82.30% | 530,655,543 | 82.83% | 42,817,820 | 8.07% |
| Net current assets | 119,887,802 | | 118,504,711 | | 1,383,091 | 1.17% |
| Non-current liabilities | | | | | | |
| Loans and borrowings | 559,151 | 0.08% | - | - | 559,151 | N/A |
| Bonds payable | 94,159,011 | 13.51% | 94,520,556 | 14.76% | -361,545 | -0.38% |
| Lease liabilities | 1,313,701 | 0.19% | 1,429,121 | 0.22% | -115,420 | -8.08% |
| Deferred tax liabilities | 128,523 | 0.02% | 111,309 | 0.02% | 17,214 | 15.47% |
| Financial liabilities at fair value through profit or loss | 26,721,315 | 3.83% | 13,538,712 | 2.11% | 13,182,603 | 97.37% |
| Other non-current liabilities | 507,394 | 0.07% | 380,982 | 0.06% | 126,412 | 33.18% |
| Total | 123,389,095 | 17.70% | 109,980,680 | 17.17% | 13,408,415 | 12.19% |
| Total liabilities | 696,862,458 | 100.00% | 640,636,223 | 100.00% | 56,226,235 | 8.78% |
| Total equity | 163,826,089 | | 150,636,592 | | 13,189,497 | 8.76% |

As of 31 December 2022, the total assets of the Group were RMB860.689 billion, increased by 8.77% compared with the end of last year; the total liabilities were RMB696.862 billion, increased by 8.78% compared with the end of last year; the total equity was RMB163.826 billion, increased by 8.76% compared with the end of last year.

The asset of the Group was mainly comprised of: cash held on behalf of brokerage customers of RMB158.868 billion (18.46% of the total assets); margin accounts receivable of RMB87.116 billion (10.12% of the total assets); financial assets at fair value through profit or loss of RMB331.401 billion (38.50% of the total assets); financial assets held under resale agreements of RMB71.136 billion (8.26% of the total assets); debt instruments at fair value through other comprehensive income of RMB61.189 billion (7.11% of the total assets).

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Among the above, the current assets amounted to RMB693.361 billion and accounted for 80.56% of the total assets. The liquidity of the Group was fine with reasonable structure. In addition, the Group made impairment provisions for the assets showing impairment indications under market fluctuation and therefore the assets were of relatively high quality.

Non-current assets

As of 31 December 2022, non-current assets amounted to RMB167.327 billion with an increase of 17.74% compared with the end of last year. Among which: refundable deposits amounted to RMB58.923 billion representing an increase of 44.43% compared with the end of last year, which was primarily due to the increase of futures deposits; goodwill amounted to RMB4.071 billion, representing an increase of 19,381.05% as compared with the end of the last year, which was mainly due to the generation of goodwill due to the acquisition of the controlling rights of HuaAn Funds through equity transfer.

Current assets

As of 31 December 2022, our current assets amounted to RMB693.361 billion with an increase of 6.81% compared with the end of last year. Among which: margin accounts receivable amounted to RMB87.116 billion with a decrease of 20.29% compared with the end of last year; financial assets held under resale agreements amounted to RMB70.837 billion with an increase of 22.79% compared with the end of last year; financial assets at fair value through profit or loss amounted to RMB310.274 billion with an increase of 17.33% compared with the end of last year; debt instruments at fair value through other comprehensive income amounted to RMB4.830 billion with a decrease of 59.08% compared with the end of last year, primarily because the Group adjusted the scale of such investments according to the market environment; derivative financial assets amounted to RMB8.233 billion, representing an increase of 98.03% compared with the end of last year, primarily due to the increase in the fair value of equity derivatives.

Current liabilities

As of 31 December 2022, our current liabilities amounted to RMB573.473 billion with an increase of 8.07% compared with the end of last year. Among which: accounts payable to brokerage customers amounted to RMB195.719 billion with an increase of 13.47% as compared with the end of last year; financial assets sold under repurchase agreements amounted to RMB173.237 billion with an increase of 5.07% as compared with the end of last year; loans and borrowings amounted to RMB9.848 billion with an increase of 126.86% as compared with the end of last year, primarily because the scale of short-term borrowings was increased in order to meet the business needs of the subsidiaries in Hong Kong; short-term debt instruments amounted to RMB13.649 billion with a decrease of 70.34% compared with the end of last year, primarily because the scale of short-term corporate bonds and medium-term notes was reduced according to the needs of the business development of the Group combined with the optimization of the liability structure; financial liabilities at fair value through profit or loss amounted to RMB48.328 billion with an increase of 42.35% as compared with the end of last year, primarily due to the increase in debt instruments held for trading.

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Non-current liabilities

As of 31 December 2022, our non-current liabilities amounted to RMB123.389 billion with an increase of 12.19% compared with the end of last year. Among which: bonds payable amounted to RMB94.159 billion with a decrease of 0.38% compared with the end of last year; financial liabilities at fair value through profit or loss amounted to RMB26.721 billion with an increase of 97.37% compared with the end of last year, primarily due to the increase in debt instruments held for trading.

Equity

The equity attributable to equity holders of the Company increased by 8.76% from the end of last year to RMB163.826 billion as of 31 December 2022. The gearing ratio of the Group was 75.36% as of 31 December 2022, which has decreased by 0.28 percentage point compared with the end of last year, given the Group's reasonable and stable assets and liabilities structure.

Major restricted assets at the end of the Reporting Period

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

Borrowings and debt financing

As of 31 December 2022, the total borrowings and debt financing of the Group amounted to RMB151.940 billion, details of which are set out as follows:

Unit: thousand yuan Currency: RMB

| | 31 December 2022 | 31 December 2021 |
|-----------------------------|-------------------------|------------------|
| Loans and borrowings | 10,406,698 | 4,340,789 |
| Short-term debt instruments | 13,649,479 | 46,021,302 |
| Bonds payable | 127,883,594 | 126,767,098 |
| Total | 151,939,771 | 177,129,189 |

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

Except for the borrowings and debt financing, the Group obtained funds through placements from other financial institutions and financial assets sold under repurchase agreements. As of 31 December 2022, the balance of placements from other financial institutions was RMB12.967 billion while the balance of financial assets sold under repurchase agreements was RMB173.237 billion. The total debt mentioned above was RMB338.144 billion.

Except for the liabilities disclosed in the Report, the Group did not have, as of 31 December 2022, any outstanding mortgages, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, guarantees or other material contingent liabilities.

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Major customers and suppliers

In 2022, revenue from the five largest customers of the Group accounted for less than 2% of its total revenue and other income, and none of the five largest customers are its related party. None of the Directors, supervisors and their respective associates as well as Shareholders holding more than 5% of the issued share capital of the Company has any interest in any of the five largest customers of the Company.

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

(II) Analysis of investments

Overall analysis of external equity investment

Applicable Not applicable

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

1. Material equity investments

Applicable Not applicable

Unit: 100 million Currency: RMB

| Names of investees | Principal business | The subject is principally engaged in investment business or not | Way of investment | Investment amount | Percentage of shareholding | Consolidated or not | Source of funds | Progress as of the balance sheet date | Effect on profit or loss for the period | Involved in litigation or not | Date of disclosure (if any) | Disclosure index (if any) |
|----------------------------------|---|--|-------------------|-------------------|----------------------------|---------------------|-----------------|---------------------------------------|---|-------------------------------|-----------------------------|---------------------------|
| HuaAn Funds Management Co., Ltd. | Fund establishment, management of fund business | No | Acquisition | 44.10 | 51% | Yes | Own funds | Completed | 14.78 | No | 2022-11-5 | 2022-064 |
| Total | / | / | / | 44.10 | / | / | / | / | 14.78 | / | / | / |

In 2022, the Company acquired 15% equity interest in HuaAn Funds held by Shanghai SITICO Assets Management Co., Ltd. with a transfer consideration of RMB1.812 billion; and acquired 8% equity interest in HuaAn Funds held by Shanghai Industrial Investment (Group) Co., Ltd. with a transfer consideration of RMB1.012 billion, and recognized profit or loss during the transition period of RMB51 million. For details of the Company's acquisition of control over HuaAn Funds, please refer to the notes to the consolidated financial statements.

The Group did not hold any significant investment with a value greater than 5% of its total assets as at 31 December 2022.

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2. Material non-equity investments

Applicable Not applicable

Office buildings in Jing'an District, Shanghai: Guoxiang Properties, a subsidiary of the Company, received a planning permit of construction engineering and a construction permit for pile foundation for land lot No. 49 in Jing'an District on 23 June 2014 and commenced construction in June 2014. According to the resolution at the second meeting of the fifth session of the Board of the Company in 2016, the total investment amount for this project was adjusted to RMB1.879 billion by adding another project investment of RMB255 million. The accumulative investment of the project was RMB1.834 billion as of 31 December 2022.

3. Financial assets measured at fair value

Applicable Not applicable

Unit: yuan Currency: RMB

| Items | Opening Balance | Closing Balance | Change for the current period | Effect on the amount of profit for the current period |
|---|------------------------|------------------------|-------------------------------|---|
| Financial instruments at fair value through profit or loss | 236,895,529,408 | 256,352,378,129 | 19,456,848,721 | 1,226,364,866 |
| Debt instruments at fair value through other comprehensive income | 66,838,415,637 | 61,189,314,640 | -5,649,100,997 | 2,474,069,497 |
| Equity instruments at fair value through other comprehensive income | 2,480,358,307 | 2,331,288,390 | -149,069,917 | 61,229,154 |
| Derivative financial instruments | -5,595,474,887 | -1,557,836,439 | 4,037,638,448 | 3,783,347,325 |
| Total | <u>300,618,828,465</u> | <u>318,315,144,720</u> | <u>17,696,316,255</u> | <u>7,545,010,842</u> |

Securities investment is one of the principal businesses of securities companies. For details of various investments in assets such as securities investment, private equity fund investment and derivatives investment, please refer to notes to the consolidated financial statements.

Securities investment

Applicable Not applicable

Private equity fund investment

Applicable Not applicable

Section III Discussion and Analysis of the Board of Directors

Derivatives investment

Applicable Not applicable

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

Applicable Not applicable

(III) Material assets and equity disposal

Applicable Not applicable

(IV) Analysis of main holding companies

Applicable Not applicable

1. Guotai Junan Financial Holdings

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

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

As of 31 December 2022, the total assets of Guotai Junan Financial Holdings were RMB112.663 billion with net assets of RMB14.136 billion; in 2022, its operating revenue was RMB1.396 billion and its net profit was RMB218 million.

2. Guotai Junan Asset Management

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

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

As of 31 December 2022, the total assets of Guotai Junan Asset Management were RMB7.304 billion with net assets of RMB5.709 billion; in 2022, its operating revenue was RMB1.321 billion and its net profit was RMB233 million.

3. Guotai Junan Futures

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

The registered capital of Guotai Junan Futures is RMB5 billion and the Company holds 100% of its equity interests.

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As of 31 December 2022, the total assets of Guotai Junan Futures were RMB120.356 billion with net assets of RMB8.495 billion; in 2022, its operating revenue was RMB10.237 billion and its net profit was RMB866 million.

4. Guotai Junan Innovation Investment

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

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

As of 31 December 2022, the total assets of Guotai Junan Innovation Investment were RMB8.630 billion with net assets of RMB7.719 billion; in 2022, its operating revenue was RMB419 million and its net profit was RMB204 million.

5. Guotai Junan Zhengyu

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

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

As of 31 December 2022, the total assets of Guotai Junan Zhengyu were RMB5.348 billion with net assets of RMB5.166 billion; in 2022, its operating revenue was RMB390 million and its net profit was RMB277 million.

6. HuaAn Funds

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

The registered capital of HuaAn Funds is RMB150 million and the Company holds 51% of its equity interests.

As of 31 December 2022, the total assets of HuaAn Funds were RMB7.007 billion with net assets of RMB5.001 billion; in 2022, its operating revenue was RMB3.603 billion and its net profit was RMB1.031 billion.

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7. Shanghai Securities

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

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

As of 31 December 2022, the total assets of Shanghai Securities were RMB67.448 billion with net assets of RMB17.057 billion; in 2022, its operating revenue was RMB2.861 billion and its net profit was RMB297 million.

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

Applicable Not applicable

As of 31 December 2022, the Group consolidated 79 structured entities, which include funds, asset management schemes and partnerships. For those funds, asset management schemes and trust schemes where the Group is involved as a manager or investment adviser, and limited partnerships where the Group is involved as general partner or investment manager, the Group considered that it had control rights over some funds, asset management schemes, trust schemes and limited partnerships and incorporated them into the consolidated category after comprehensively taking into account various factors such as the investment decision rights they owned and their exposures to the variable returns. As at 31 December 2022, the impacts of the above structured entities which were incorporated into the consolidated category on the Group's consolidated total assets was RMB3.286 billion, and such impacts on the consolidated operating revenue and consolidated net profit in 2022 were RMB-22 million and RMB-37 million, respectively.

(VI) Establishment and disposal of branches

1. Establishment and disposal of branches and business branches

During the Reporting Period, the Group established 2 new securities branch offices, 2 securities branches, 2 futures branches, relocated 3 securities branch offices, 5 futures branch offices, 18 securities branches and 1 futures branch in the same cities and deregistered 2 securities branches in China. Please refer to Appendix III for the details of establishment and disposal.

| | Newly established branch offices | Newly established securities/futures branches | Relocated branch offices | Relocated securities/futures branches | Deregistered securities/futures branches |
|----------------------|----------------------------------|---|--------------------------|---------------------------------------|--|
| The Company | 2 | 2 | 3 | 18 | 2 |
| Guotai Junan Futures | | 2 | 5 | 1 | |

Section III Discussion and Analysis of the Board of Directors

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

1. Financing channel

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

2. Liability structure

For details, please refer to "VI. PRINCIPAL OPERATION CONDITION DURING THE REPORTING PERIOD (I). Analysis of financial statements" in this section.

3. Liquidity management policies and measures

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

4. Analysis of financing capability and financing strategies

The Company enjoys a well-established operation and good reputation with strong capital strength, profitability and solvency. The Company has maintained the international credit ratings at BBB+ by Standard & Poor and Baa1 by Moody for many years, and good cooperative relations with major commercial banks for a long time by enjoying generous credit lines. At the same time, the Company has strong short-term and medium-to-long-term financing capabilities since its various risk regulatory indicators have met the relevant regulatory requirements, and its financing channels have been smooth. As a listed securities firm, the Company can also solve its capital needs for long-term development through equity refinancing and other means.

The Company made forward-looking arrangements for asset and liability management, and dynamically planned financing strategies in light of the market environment and business capital needs. The Company will strengthen the coordinated management of domestic and overseas capital needs, continue to improve its overall capital allocation efficiency, and ensure the capital needs for business development. Meanwhile, the Company will continue to explore diversified domestic and overseas financing models and types of financing, strengthen the research and application of interest rate and exchange rate markets, and take into account the safety of financing and controllable costs.

Section III Discussion and Analysis of the Board of Directors

VII. DISCUSSION AND ANALYSIS OF THE COMPANY ABOUT FUTURE DEVELOPMENTS

(I) Industrial landscape and trend

Applicable Not applicable

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

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

The implementation of the comprehensive registration system is a key measure to improve the functions of the capital market and build a modern capital market with Chinese characteristics. With the in-depth reform of various supporting systems focusing on the comprehensive implementation of the registration system for stock issuance, the capital market has been significantly expanded and the market structure has been further institutionalized and professionalized. As an important participant in the capital market, securities companies will continue to improve their basic functions and greatly expand their business space and integration. Going forward, guided by customer demands, the securities companies will accelerate the promotion of innovative business, continuously expand the depth and breadth of its business and services, integrate its business, products, channels and support service system, and transform into modern investment banks with a complete business, industry and service chain.

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

In recent years, the capital market has entered a new stage of comprehensive registration system, which has imposed higher requirements on the industrialization, specialization and comprehensive service capabilities of securities companies, and also provided securities companies with more differentiated development space, promoting the business differentiation of the securities industry and the concentration of high-quality project resources to leading securities companies. On the one hand, leading securities companies that rely on digital technology, adopt a platform-based operation model and give full play to their synergies, will use their own advantages to accelerate their development across all markets and business areas, further enhance their competitive advantages and achieve comprehensive development. On the other hand, small and medium-sized securities companies will concentrate their resources and form competitive advantages in niche business markets or regional markets, thereby forming a differentiated and multi-level competitive landscape with leading securities companies.

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

With the proceeding of economic globalization and capital market reform, the PRC capital market has entered a new stage of overall opening-up. Since 2022, deeper cooperation between China and the United States in audit supervision, promulgation and implementation of the overseas listing filing system, and successive introduction of policies and measures such as the expansion of the mutual access between domestic and overseas markets, the optimization of trading mechanism, the Swap Link (互換通) and the HKD-RMB dual-counter model (港幣—人民幣雙櫃台模式) have altogether facilitated the opening-up of the capital market at a high level and the in-depth cooperation between domestic and overseas markets. The full opening-up will not only bring richer business resources to securities companies, but also impose greater competitive pressure, which will promote domestic securities companies to further develop their international businesses and achieve synergistic growth by leveraging domestic and overseas resources. Among them, leading securities companies have the greater potential to grow into large-scale investment banks with international competitiveness by allocating resources, serving customers and managing risks globally.

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

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

(II) Development strategies of the Company

Applicable Not applicable

1. Opportunities and Challenges for Development

In terms of external environment, the reform and opening up of the capital market with a comprehensive registration system as the core continued to deepen, which will further improve the basic system of the capital market and improve the functions of the capital market, providing a sound policy environment and institutional foundation for the long-term sustainable and healthy development of securities companies. In terms of internal conditions, the Group has accelerated the reform, innovation and transformation. The successful conclusion of first three-year of the Nine-Year Strategic Plan in 3 Three-Year Steps, the optimization of organizational structure and supporting operating mechanisms and the initial establishment of long-term incentive and restraint mechanisms have created conditions for the further innovative development of the Group. However, the more sophisticated and tougher economic environment, the increasing opening-up of the capital market and the intensive competition in securities industry in the PRC have brought many challenges to the future development of the Group.

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2. The Company's industrial advantages and shortcomings

The Group's industry strengths mainly include: integrated service platform, leading digital technology and sound compliance culture (please refer to "V. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD" in this section for details). In the process of future development, the Group will still need to further enhance the core competitiveness of principal businesses and the management and support capabilities of the middle and back offices, optimize the integrated synergy mechanism at group level and gradually narrow the gap between itself and leading financial institutions.

3. Development strategies

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

In the second three-year, under the general requirement of "enhancing our abilities and developing our advantages," the Company will focus on platform construction, and consolidate the three pillars of core capabilities, so as to comprehensively cultivate five major advantages, namely "technology innovation finance, inclusive finance, regional finance, green finance and cross-border finance" to consolidate the three major guarantees of "manpower, capital, and organization", strive for progress while maintaining stability, deepen reforms, thereby achieving "domestic leadership in an all-round way."

4. New businesses to be conducted

In 2023, the Group will actively seize market opportunities arising from fundamental institutional reforms such as the comprehensive registration system reform, continue to promote customer-oriented innovation and transformation, and accelerate the improvement of shortcomings in core business capabilities. Firstly, focusing on retail customer services, the Company will firmly transform to a wealth management 2.0 model "driven by investment and advisory and technology empowerment", and accelerate the improvement and implementation of the three-force mechanism to enhance the competitiveness of product sales and investment advisory business; secondly, focusing on institutional customers, the Group will promote the comprehensive innovation and transformation of the institutional customer service systems characterized by "specialization, integration and platformization", and vigorously develop OTC derivatives business; thirdly, in terms of corporate customer services, the Group will committed to the reform direction of the investment banking business department, strive to build an industrial investment bank, an integrated investment bank and a digital investment bank, and provide full life cycle services to corporate customers.

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(III) The operation plan

Applicable Not applicable

The year of 2023 is the starting year of the “second three-year” of the Group’s “Nine-Year Strategic Plan in 3 Three-Year Steps”. The Company will continue to give full play to the advantages of stable operation, strive for progress in stability, and comprehensively promote the “enhancing our abilities and developing our advantages” on the basis of “laying the foundation to improve our weaknesses”, strengthen the core capabilities of the principal businesses, enhance the ability of capital-based business to drive intermediary business, and improve the level of comprehensive customer service; comprehensively promote the platform construction, and further promote the digital transformation; further improve the management and support capabilities of the middle and back offices and the operation management capabilities at group level; accelerate the improvement of the competitiveness of key regions and key branches; promote the high-quality development of public offering REITs business, and maintain industry leading advantages.

For various specific business areas, in respect of the **wealth management business**, the Group will strengthen the capacity building of the headquarters, focus on improving the capabilities of financial technology and investment research, strengthen customer development and asset acquisition, enhance the carrying capacity of branches, deepen the customer base operation, and optimize the comprehensive service coordination mechanism. In respect of the margin financing and securities lending business, the Group will seize the expansion opportunities to strengthen customer acquisition efforts, upgrade the Quanyuantong platform, and refine risk management. In respect of pledge business, the Group will enhance the coverage and depth of services for high-quality listed companies and strengthen the collaboration with investment banks. In respect of the futures business, the Group will enhance the productization, online and intellectualization for its services to enhance the profitability of the purchasers. In respect of the **investment banking business**, the Group will seize the opportunity of the comprehensive registration system, strengthen the deep cultivation of the industry, comprehensively improve the industrial service capability, continue to expand the IPO business, broaden the enterprise service chain, and deepen the reform of the division system. In respect of the **institutional and transaction business**, the Group will optimize the integrated customer service model, resolutely transform into customer-demand business, improve investment and research capabilities and high-quality asset acquisition capabilities, and promote the development of trading market-making business. In respect of the **investment management business**, the Group will strengthen the construction of core team, improve investment and research capabilities, and strengthen the layout of new products, new businesses and new regions. In respect of the **international business**, the Group will seize the opportunity of interconnection between the domestic and international markets, comprehensively promote cross-border integration, optimize the international layout, and explore a new model of digitalization.

(IV) Possible risk exposure

Applicable Not applicable

1. Overview

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

Section III Discussion and Analysis of the Board of Directors

2. Risk management structure

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

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

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

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

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

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

Section III Discussion and Analysis of the Board of Directors

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

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

3) *Risk management departments*

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

Section III Discussion and Analysis of the Board of Directors

4) *Other business departments and branches*

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

3. Risk management system

The Company established a 4-level risk management system based on its business characteristics and level of operational risks and has been constantly perfecting it. The system includes: measures on comprehensive risk management; various risk management measures based on different risks such as market risk, credit risk, operational risk, liquidity risk and reputational risk; risk management system on various business and products; and the practical business operation protocol. During the reporting period, the Company formulated the Management Measures for the Equity Income Swap Business and the Management Measures for the FICC Income Swap Business, and revised the Management Measures for Reputational Risk, the Management Measures for Operational Risk, the Management Measures for Institutional Customer Credit, the Management Measures for Business System Licensing Rights and Information Security, the Management Measures for Risk Management System User License, the Management Measures for Business Risk of Horizontal Transfer of Client Funds, the Management Measures for Financial Instrument Valuation and Risk Measurement, the Implementation Rules for Investor Suitability Management of Equity Income Swap Business and the Implementation Rules for Investor Suitability Management in FICC OTC Financial Derivatives Trading Business, Working Rules for the Risk Management Committee in accordance with the latest regulatory requirements.

4. Risk appetite system

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

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

During the Reporting Period, after consideration and approval by the Board, the Company defined the Group's risk appetite, tolerance and limit for 2022, and differentiated different dimensions such as risk types and subsidiaries for decomposition and transmission and implemented in the ordinary course of business. In 2022, the Group's various indicators remained stable under its risk appetite system.

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5. Measures against various risks

1) Market risks

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

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

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

Value at Risk (VaR) of the Group for 2022

Unit: ten thousand yuan Currency: RMB

| Category | 30 December | 31 December | Average | 2022 | |
|---|-------------|-------------|---------|---------|---------|
| | 2022 | 2021 | | Minimum | Maximum |
| Equity price-sensitive financial instruments | 20,526 | 18,322 | 18,992 | 17,065 | 20,766 |
| Interest rate-sensitive financial instruments | 8,775 | 11,032 | 9,554 | 8,164 | 10,987 |
| Commodity price-sensitive financial instruments | 3,255 | 2,068 | 2,629 | 2,055 | 3,297 |
| Exchange rate-sensitive financial instruments | 2,745 | 2,652 | 3,030 | 2,389 | 3,387 |
| Risk diversification effect | (7,548) | (7,751) | (7,842) | (7,124) | (8,678) |
| Total portfolio VaR | 27,753 | 26,322 | 26,364 | 25,013 | 27,818 |

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

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

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During the Reporting Period, the Company conducted exchange rate risk management for assets involving exchange rate risks, managed exchange rate risk exposures by adjusting foreign exchange positions and using foreign exchange derivatives for hedging, and controlled it within an acceptable range.

In 2022, the Company took various risk control measures in a timely manner in response to market fluctuations. As at the end of 2022, the Company's market risk is generally controllable, and no major market risk events occurred.

2) *Credit risks*

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

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

The Company mitigates credit risk through methods such as collecting deposits, qualified collaterals and netting settlements. An entry threshold has been formulated for bond investment business and through white list management and concentration control, the credit risks of bond positions are being continuously tracked and assessed. Credit business department sets detailed access standards and discount rates for collaterals according to the characteristics of their specific business. The credit risk faced by OTC derivatives business mainly refers to the counterparty default risk faced in carrying out OTC derivatives business such as forwards, swaps and options. The counterparties of OTC derivatives transactions are mainly financial institutions and other professional institutions. The Company controls the credit risk of the counterparty by screening the counterparty's qualifications, marking the market on a daily basis, calling for insurance coverage and forced liquidation.

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

As at the end of 2022, the Company's credit risk was generally controllable, and no major credit default events occurred in bond investment business. The average performance guarantee ratio of the margin loans for stock-pledged financing business was 266.5%, and the average of the guarantee ratio for clients with outstanding liabilities in margin financing and securities lending business maintained at 264.6%.

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3) *Liquidity risks*

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

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

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

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

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

In 2022, the liquidity of the market was generally reasonable and sufficient with occasional fluctuations. The Company's liquidity coverage ratio and net stable funding ratio met the regulatory requirement. The net size of the cash management pool was higher than the minimum scale limit set by the Company and the overall liquidity status was good.

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4) *Operational risks*

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

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

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

In 2022, the Company's information technology and operation affairs ran smoothly in a safe way with no significant operational risk events. The fault backup and recovery time for each information system emergency rehearsal reached our established goal, which has proved that the Company's core information system has incident and disaster response capabilities in line with the requirements.

5) *Reputational risk*

Reputational risk refers to the risk of negative publicity from investors, issuers, regulators, self-regulatory organizations, the public and the media on the Company due to its actions or external events and violations of integrity regulations, professional ethics, business norms and conventions by its staff, thereby damaging its brand value, disadvantaging its normal operation, and even affecting the market stability and social stability.

The Company incorporates reputational risk management into a comprehensive risk management system, establishes a reputational risk management mechanism, and sets up a brand center as the Company's reputational risk management department under the executive office, requiring all departments, branches, sales offices and subsidiaries to actively and effectively prevent reputational risks and respond to reputational risk events, accurately identify, prudently evaluate, dynamically monitor, timely respond to and manage the reputational risks in the process of business management, and strive to maintain the Company's reputation and build a high-quality brand image.

In 2022, the Company revised and issued the Management Measures for Reputational Risk of the Company, conducted special training on reputational risk and improved the reputational risk management work. During the Reporting Period, the Company did not experience any major reputational risk events.

Section III Discussion and Analysis of the Board of Directors

(V) Other disclosures

√ Applicable □ Not applicable

1. Business innovation during the Reporting Period

During the Reporting Period, the Group optimized its customer-centric comprehensive service platform, improved its strategic layouts across key regions and key businesses, and focused on promoting the innovative development of various businesses, thus consolidating the competitive advantages of its principal businesses. In terms of wealth management business, the Group was the first batch of shortlisted individual pension fund sales agencies, and the sales of financial products and investment advisory business developed steadily; the investment banking business issued a number of ground-breaking innovative bonds such as the Belt and Road Technology Innovation Corporate Bond (一帶一路科技創新公司債) and the first Green Rural Revitalization Corporate Bond (綠色鄉村振興公司債). The Group optimized its integrated sales model for its institutional and trading business, launched the first trading service platform for institutional customers, Daohe Xiaoshoutong (道合銷售通), and achieved rapid growth in quantitative trading and brokerage settlement. The Group obtained a number of business qualifications, including the first batch of market makers for stocks on the STAR Market and CSI 500ETF Options lead market maker. In terms of the investment management business, the Group realized the control of HuaAn Funds and became the first securities company to control no more than one securities company and hold a license for public fund management business (一控一牌) after the new rules of public offering. Guotai Junan Asset Management completed the offering of Guotai Junan Lingang Innovation Industrial Park (國泰君安臨港創新產業園) and Guotai Junan Dongjiu New Economic (國泰君安東久新經濟) REITs. HuaAn Funds issued a number of innovative products such as the first batch of cross-market bond ETFs, and six pension FOF products were shortlisted in the first batch of investment catalogues for individual pension funds. In terms of the international business, the Group was the first in the industry to be approved to establish a new Macau subsidiary, and Guotai Junan Futures obtained the Singapore capital market service license and commenced business development.

2. Risk control for business innovation

- (1) The Company has included innovative business in its comprehensive risk management system. Based on the development and risk profile of innovative business, the Company has established a complete decision-making mechanism, a management model and an organization structure catering for its business and formulated relevant compliance and risk management policies for the innovative business to standardize the risk management for the innovative business during the entire process. The sustainable and healthy development of each innovative business on the premise of building the capability to monitor, control and bear risks was ensured through risk assessment and determination, inspection before launch and continuous management for innovative business. Before the launch of innovative business, risk management departments of the Company conducted compliance verification, identification and assessment, measurement and analysis of the relevant risks, and directed business department to improve internal control mechanism in relation to policies and procedures.
- (2) The Company has established multi-level risk control and warning mechanism for innovative business and designed various risk control indicators and risk limits for each level based on the risk profile of the business, which enabled dynamic track to the risks of innovative business. In the course of each particular business, the specific compliance and risk controller of business department was responsible for overseeing the market and the risk management department conducted independent monitoring, so as to prompt risk warning in case of abnormal risk control indicators and take corresponding risk control measures based on the level of the risk warning, therefore ensuring the risk level of innovative business at any time was within the tolerance of the Company.

Section III Discussion and Analysis of the Board of Directors

- (3) The Company has established the policy of regular report and significant risk event report for innovative business to issue regular risk information report for the innovative business, ensuring that all the staff and senior management involved in innovative business were informed of all necessary business, risk and management information on a timely basis. When the operation of innovative business was impacted by reason of external market turmoil, internal management problems and technical system failure, which might result in significant loss to the interest or reputation of the Company, the responsible department or the internal control department that identified the risk should immediately report to the business leader, the chief risk officer and the risk management department for the implementation of existing contingency plan or proposing new response plan based on the actual situation by the decision makers.
- (4) The Company conducted special review on the conduction of innovative business on a regular basis to improve the internal control and risk response capacity of the business. Such special review covered important steps of innovative business and management. Each of the related departments studied and analyzed the development and internal control mechanism of innovative business based on the findings of special review, constantly improved the management policies, operation process and corresponding control mechanism, and completed the contingency plan for innovative business, ensuring the stable and healthy development of innovative business.

3. ESG Risk factors and Management

The Company incorporates ESG risk management into its comprehensive risk management system, and strengthens ESG risk management capabilities by actively exploring the integration of ESG risk management awareness into the three lines of defense of the Group's risk management and cultivating a risk culture with ESG elements. The Company embeds the ESG concept into its business management process, proactively takes ESG factors into consideration in due diligence, access management, investment and financing decision-making, tracking and monitoring, controls the industry concentration of ESG risks, as well as effectively prevents the transformation of ESG risks into other risks. The Company has established a diversified information collection and risk warning system, formulated multi-dimensional risk warning rules, measurement indicators and stress test models, included ESG-related industries and events into the scope of information collection, and continuously expanded and integrated ESG risk data to build the ability to perceive ESG risk trends.

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

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

- a) In order to establish and improve the dynamic monitoring of the Company's risk control indicators and capital replenishment mechanism, strengthen risk monitoring and carry out various businesses under measurable, controllable and sustainable risks, according to the Administrative Measures for the Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) issued by the CSRC, the Guidelines for Dynamic Monitoring System of Risk Control Indicators of Securities Companies (《證券公司風險控制指標動態監控系統指引》) issued by the SAC and other relevant regulations, the Company has formulated the Administrative Measures for the Net Capital and Liquidity Risk Control Indicators of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司淨資本和流動性風險控制指標管理辦法》) and the Guidelines for Dynamic Monitoring System of Risk Control Indicators of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司風險控制指標動態監控系統工作指引》) and other internal systems.

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- b) In accordance with regulatory requirements, the Company has established a dynamic monitoring system of risk control indicators to achieve dynamic monitoring and automatic warning of risk control indicators. The dynamic monitoring system of the Company can cover various business data that affect the net capital and liquidity risk control indicators and dynamically calculate various risk control indicators including net capital and liquidity; carry out dynamic monitoring based on the characteristics of each business, and automatically warn the risk control indicators such as net capital and liquidity according to the preset monitoring standards; generate dynamic monitoring reports on risk control indicators such as net capital and liquidity.
- c) The Company shall monitor various risk control indicators such as net capital and liquidity in accordance with the relevant provisions of the CSRC, prepare supervision reports on risk control indicators, and make classified warning and follow-up reports on risk information in a timely manner; all relevant departments of the Company shall carry out their work within the scope of their responsibilities, provide relevant information with good quality on a timely basis, and make regular follow-up control and analysis on relevant indicators of the system.

(2) Non-compliance and rectification measures

- a) When the Company's net capital or other risk control indicators reach the warning level prescribed by the CSRC or fail to meet the stipulated requirement, the Company shall file a written report to the relevant local office of the CSRC within three working days and one working day, respectively, to explain the basic situation, the cause of the problem and the specific measures and deadline to solve the problem.
- b) As at the end of 2022, each risk control indicator of the Company met the required standards.

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

Applicable Not applicable

Section IV Corporate Governance

I. CORPORATE GOVERNANCE

Applicable Not applicable

As a company listed on the SSE and the Hong Kong Stock Exchange, the Company has standardized its operations in strict compliance with laws, regulations and regulatory documents of the listing place, both domestic and overseas. The Company keeps improving its corporate governance structure and system in order to enhance its corporate governance.

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

The Directors of the Company believe that good corporate governance is crucial to maintaining effective corporate operations, establishing a comprehensive corporate culture, realizing sound business development and protecting long-term shareholders' value. Therefore, the Company has been practicing a high standard of corporate governance.

During the Reporting Period, the Company has strictly complied with the relevant provisions under the Corporate Governance Code and satisfied most requirements of provisions for recommended best practices. During the Reporting Period, the Company has amended the Articles of Association and certain policies; the Chairman of the Company has communicated with non-executive Directors via various channels such as meetings to obtain suggestions and advice, and has held special strategy seminars to discuss and improve the Company's development strategy; the management of the Company has reported monthly operation and management to Directors and Supervisors on a monthly basis; the Chairman, Directors, the president, secretary to the Board and other management personnel of the Company have communicated with the Shareholders via performance explanation sessions, roadshows, survey and research on investors, online interactions, telephone and other methods, held an investor open day event and continued to improve its corporate governance.

During the Reporting Period, the Company has convened two general meetings; fourteen Board meetings, including four regular meetings and ten extraordinary meetings; and five Supervisory Committee meetings, including four regular meetings and one extraordinary meeting. The convening, proposals, holding, voting, resolutions and minutes of each of these general meeting, Board meetings and Supervisory Committee meetings were in compliance with the requirements of laws, regulations, regulatory documents, the Articles of Association, Rules of Procedure of General Meetings (《股東大會議事規則》), Rules of Procedure of Board Meetings (《董事會議事規則》), and Rules of Procedure of Supervisory Committee Meetings (《監事會議事規則》). Each of the Directors and Supervisors has performed their duties and obligations with diligence in compliance with laws, regulations and the Articles of Association and each of the independent Directors has considered the proposals and provided independent opinion with due care in accordance with the Working System for Independent Directors (《獨立董事工作制度》), assuring Shareholders to exercise their rights under relevant laws, taking into sufficient account the interests of minority Shareholders and making no detriment to the interests of minority Shareholders.

Section IV Corporate Governance

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

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

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

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III. INFORMATION OF GENERAL MEETINGS

| Meeting session | Convening date | The address of the designated website for publishing resolutions | The disclosure date for publishing resolutions | Resolutions at the meeting |
|--|----------------|--|--|--|
| 2021 Annual General Meeting | 31 May 2022 | http://www.sse.com.cn http://www.hkexnews.hk | 31 May 2022 | The Work Report of the Board of the Company for 2021, the Work Report of the Supervisory Committee of the Company for 2021, the Resolution on Proposing to Consider the Profit Distribution Plan of the Company for 2021, the Resolution on Proposing to Consider the Reappointment of Accounting Firm, the Resolution on Proposing to Consider the Annual Report of the Company for 2021, the Resolution on the Potential Related Party Transactions Contemplated in the Ordinary Course of Business of the Company in 2022, the Work Report of Independent Directors for 2021 and the Resolution on the General Mandate to the Board to Issue Additional A Shares and/or H Shares were considered and approved |
| 2022 First Extraordinary General Meeting | 8 July 2022 | http://www.sse.com.cn http://www.hkexnews.hk | 8 July 2022 | The Resolution on Proposing to Consider the Acquisition of Part of Shares of HuaAn Funds and the Resolution on Proposing to Consider the Amendments to the Articles of Association were considered and approved |

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

Applicable Not applicable

General meetings

Applicable Not applicable

Section IV Corporate Governance

IV. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

√ Applicable □ Not applicable

Unit: share

| Name | Title (Note) | Gender | Age | Start date of the term | Closing date of the term | Shares | | | Reasons for the changes | Total remuneration before tax received from the Company during the Reporting Period (RMB0' 000) | Whether having received remunerations from the related parties of the Company |
|---------------------|---|--------|-----|------------------------|--------------------------|-----------------------------------|----------------------------|--|-------------------------|---|---|
| | | | | | | held at the beginning of the year | Shares held at end of year | Amount of increase or decrease of shares within the year | | | |
| HE Qing | Chairman of the Board, executive Director | Male | 51 | 28 June 2021 | 28 June 2024 | - | - | - | - | 191.72 | No |
| WANG Song | Vice chairman of the Board, executive Director, president | Male | 59 | 28 June 2021 | 28 June 2024 | 722,000 | 722,000 | - | - | 129.65 | No |
| YU Jian | Executive Director, secretary to the Board | Male | 58 | 28 June 2021 | 28 June 2024 | 595,000 | 595,000 | - | - | 352.50 | No |
| LIU Xinyi | Non-executive Director | Male | 57 | 28 June 2021 | 28 June 2024 | - | - | - | - | - | Yes |
| GUAN Wei | Non-executive Director | Female | 51 | 28 June 2021 | 28 June 2024 | - | - | - | - | - | Yes |
| ZHONG Maojun | Non-executive Director | Male | 53 | 28 June 2021 | 28 June 2024 | - | - | - | - | - | Yes |
| CHEN Hua | Non-executive Director | Male | 48 | 28 June 2021 | 28 June 2024 | - | - | - | - | - | Yes |
| WANG Wenjie | Non-executive Director | Male | 53 | 28 June 2021 | 28 June 2024 | - | - | - | - | - | Yes |
| ZHANG Zhan | Non-executive Director | Male | 42 | 28 June 2021 | 28 June 2024 | - | - | - | - | 15 | Yes |
| ZHANG Yipeng | Non-executive Director | Male | 58 | 25 November 2021 | 28 June 2024 | - | - | - | - | - | Yes |
| AN Hongjun | Non-executive Director | Male | 47 | 28 June 2021 | 28 June 2024 | - | - | - | - | - | Yes |
| XIA Dawei | Independent non-executive Director | Male | 70 | 28 June 2021 | 19 May 2022 | - | - | - | - | 25 | No |
| DING Wei | Independent non-executive Director | Male | 63 | 28 June 2021 | 28 June 2024 | - | - | - | - | 25 | Yes |
| LI Renjie | Independent non-executive Director | Male | 68 | 28 June 2021 | 28 June 2024 | - | - | - | - | 25 | No |
| BAI Wei | Independent non-executive Director | Male | 58 | 28 June 2021 | 28 June 2024 | - | - | - | - | 25 | Yes |
| LEE Conway Kong Wai | Independent non-executive Director | Male | 68 | 28 June 2021 | 11 April 2023 | - | - | - | - | 25 | No |

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| Name | Title (Note) | Gender | Age | Start date of the term | Closing date of the term | Shares | | Amount of increase or decrease of shares within the year | Reasons for the changes | Total remuneration before tax received from the Company during the Reporting Period (RMB0' 000) | Whether having received remunerations from the related parties of the Company |
|-------------------------|---|--------|-----|------------------------|--------------------------------|-----------------------------------|---------------------|--|-------------------------|---|---|
| | | | | | | held at the beginning of the year | held at end of year | | | | |
| CHAI Hongfeng | Independent non-executive Director | Male | 65 | 25 November 2021 | 28 June 2024 | - | - | - | - | - | No |
| WU Hongwei | Vice chairman of the Supervisory Committee, employee representative | | | | | | | | | | |
| | Supervisor | Male | 56 | 28 June 2021 | 28 June 2024 | - | - | - | - | 80.01 | No |
| ZHOU Zhaohui | Supervisor | Male | 52 | 28 June 2021 | 28 June 2024 | - | - | - | - | 15.00 | Yes |
| SHEN Yun | Supervisor | Male | 44 | 28 June 2021 | 28 June 2024 | - | - | - | - | 15.00 | Yes |
| ZUO Zhipeng | Supervisor | Male | 53 | 28 June 2021 | 28 June 2024 | - | - | - | - | 15.00 | Yes |
| SHAO Liangming | Employee representative | | | | | | | | | | |
| | Supervisor | Male | 51 | 28 June 2021 | 28 June 2024 | - | - | - | - | 303.74 | No |
| XIE Min | Employee representative | | | | | | | | | | |
| | Supervisor | Male | 53 | 28 June 2021 | 28 June 2024 | - | - | - | - | 77.95 | No |
| GONG Dexiong | Vice president | Male | 53 | 28 June 2021 | 28 June 2024 | 350,000 | 350,000 | - | - | 116.57 | No |
| XIE Lebin | Vice president | Male | 55 | 28 June 2021 | 28 June 2024 | 595,000 | 595,000 | - | - | 232.07 | No |
| LUO Dongyuan | Vice president | Male | 54 | 28 June 2021 | 28 June 2024 | 595,000 | 595,000 | - | - | 308.66 | No |
| NIE Xiaogang | Vice president, Chief Financial Officer, Chief Risk Officer | Male | 50 | 28 June 2021 | 28 June 2024 | 315,000 | 315,000 | - | - | 216.98 | No |
| LI Junjie | Vice president | Male | 47 | 28 June 2021 | 28 June 2024 | 599,686 | 599,686 | - | - | 234.53 | No |
| ZHANG Zhihong | Chief Compliance Officer, chief legal counsel | Female | 53 | 28 June 2021 | 28 June 2024 26 August 2022 | 595,000 | 595,000 | - | - | 332.66 | No |
| LI Zhongning (resigned) | Former chairman of the Supervisory Committee | Female | 60 | 28 June 2021 | 25 July 2022 | - | - | - | - | 133.02 | No |
| Total | | | | | | 4,366,686 | 4,366,686 | | | 2,895.06 | |

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Notes:

1. Ms. LI Zhongning resigned from the positions of the chairman of the sixth session of the Supervisory Committee and the Supervisor of the Company on 25 July 2022, as she has reached the age of retirement.
2. Mr. XIA Dawei, an independent Director, ceased to serve as an independent Director of the Company, the chairman of the Remuneration, Appraisal and Nomination Committee under the Board and a member of the Audit Committee due to the expiration of the term of office for six consecutive years. As the resignation of Mr. XIA Dawei would result in the number of independent Directors of the sixth session of the Board of the Company falling below one-third of the members of the Board, which is not in compliance with the relevant requirements. Mr. XIA Dawei will continue to perform his duties as an independent Director, the chairman of the Remuneration, Appraisal and Nomination Committee under the Board and a member of the Audit Committee until a new independent Director is appointed.
3. In accordance with the provisions of the Regulations on Supervision and Administration of Securities Companies, the remuneration structure and level for the Chairman and the chairman and vice chairman of the Supervisory Committee shall be determined in accordance with Opinions on Deepening the Remuneration System Reform of Senior Management of the State-owned Enterprises (《關於深化國有企業領導人員薪酬制度改革意見》) in Shanghai and the relevant requirements of the competent authorities at the higher level since 1 January 2015. Payment for 40% of the annual performance-based bonus of the full-time professional managers, the secretary to the Board and senior management of the Company shall be deferred for a period of three years. The deferred payment of remuneration shall be divided equally. Among which, the remuneration structure and level for the president and vice president of the Company shall be determined in accordance with the Implementation Plan on Further Deepening the Remuneration System Reform of the Professional Managers (《進一步深化職業經理人薪酬制度改革實施方案》) as approved by the competent authorities at the higher level since 1 January 2020. The deferred pre-tax amount of directors, supervisors and senior managers for previous year in 2022: RMB188,200 for Wang Song, RMB1,424,200 for Yu Jian, RMB166,800 for Gong Dexiong, RMB1,481,600 for Xie Lebin, RMB2,103,400 for Luo Dongyuan, RMB190,000 for Nie Xiaogang, RMB1,285,000 for Zhang Zhihong.
4. The statistical caliber for the remuneration of the Directors, Supervisors and senior management during the Reporting Period is based on the remuneration received from their offices of Directors, Supervisors and senior management, excluding the remuneration received from other positions.
5. According to the Resolution on Proposing to Consider the Remuneration for Directors of the Sixth Session of the Board and Supervisors of the Sixth Session of the Supervisory Committee considered and passed at the annual general meeting for the year 2020, each of the independent Directors receives a remuneration of RMB250,000 each year before tax; each of the Directors nominated by the Shareholders and Supervisors nominated by the Shareholders is entitled to a remuneration of RMB150,000 each year before tax. The Directors and the employee representative Supervisor who hold other positions in the Company will not receive any other payment as the Directors and Supervisors in addition to the remunerations they receive from the Company. During the Reporting Period, Mr. LIU Xinyi, Ms. GUAN Wei, Mr. ZHONG Maojun, Mr. CHEN Hua, Mr. WANG Wenjie, Mr. ZHANG Yipeng, Mr. AN Hongjun, being the Directors of the Company and Mr. CHAI Hongfeng, being an independent Director of the Company, have waived their remuneration.

Section IV Corporate Governance

| Name | Major working experience |
|-------------|---|
| HE Qing | <p>Master of business administration and an economist. Mr. HE joined our Company in September 2019 and has served as the chairman of the Board and an executive Director of the Company since 12 February 2020. Mr. HE successively served as a manager of corporate financing department of the Shanghai Branch of Chase Manhattan Bank and various positions in Bank of Shanghai Co., Ltd (a listed company on the Shanghai Stock Exchange with stock code of 601229), including a manager of international business department and assistant to the president of the Pudong Branch, the general manager of international business department, the general manager of corporate financing department, an assistant to the president, a vice president, the chairman of Shanghai Minhang BOS Rural Bank (上海閔行上銀村鎮銀行股份有限公司) and a director of BOS Asset Management Co., Ltd. (上銀基金管理有限公司). He also successively held the positions of a vice president, executive director and president of China Pacific Insurance (Group) Co., Ltd. (a listed company on the Shanghai Stock Exchange with stock code of 601601 and a listed company on the Stock Exchange of Hong Kong Limited with stock code of 2601), a director of the China Pacific Property Insurance Co., Ltd., a director of the China Pacific Life Insurance Co., Ltd. and a director of Pacific Property Asset Management Co., Ltd. Before that, Mr. HE Qing also worked in the Shanghai Branch of Industrial and Commercial Bank of China Limited.</p> |
| WANG Song | <p>A postgraduate in industrial management engineering. Mr. WANG has served as the president of the Company since 21 August 2015, an executive Director of the Company since 8 September 2015, and vice chairman of the Board of the Company from 8 September 2015 to 19 May 2016 and since 28 November 2016. Mr. WANG successively served as the deputy head of the Beijing office, deputy general manager of the issuance department and the general manager of bond department of Guotai Securities Co., Ltd.; the general manager of the first bond business department, and the general manager and the president of the head office of the fixed income securities department of the Company; president assistant and the president of the fixed income securities head office; the vice president; the president; the vice chairman of the Board, an executive Director and the president; an executive Director and the president. Before that, Mr. WANG Song also worked in the China Construction Bank.</p> |
| YU Jian | <p>Master of business administration. Mr. YU has served as the secretary to the Board since 16 June 2009 and an executive Director of the Company since 19 May 2016. Mr. YU successively served as the deputy manager of the securities issuance department, the manager of the first issuance division of the securities issuance department, and the deputy general manager of the securities issuance department of Guotai Securities Co., Ltd.; the deputy general manager of the investment banking department of the Company; the deputy division head, division head and the general manager of the corporate finance department; and the head of the listing office. Before that, Mr. YU Jian also worked in the research institution under the Ministry of Aerospace. Mr. YU has been appointed as the head of the office of the Board from January 2016 to July 2022.</p> |

Section IV Corporate Governance

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

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

Section IV Corporate Governance

| Name | Major working experience |
|--------------|--|
| ZHANG Zhan | Master of economics. Mr. ZHANG has served as a non-executive Director of the Company since 28 June 2021. Mr. ZHANG began his career in August 2007 and successively worked as the special operator of the asset management department of Liaoning Huibao International Investment Group Limited (遼寧匯寶國際投資集團有限公司), assistant to the general manager of the investment department of EVOC Intellectual Technology Co., Ltd. (研祥智能高科技股份有限公司), senior investment manager of the investment and management department of China Everbright International Limited (中國光大國際有限公司), and senior investment manager, assistant to the general manager and deputy general manager of the investment and development department of China Everbright Water Limited (中國光大水務有限公司). Mr. ZHANG has been vice director of the asset management department of Shenzhen Investment Holdings Co., Ltd. (深圳投資控股有限公司) since June 2018 and a director of Shenzhen Universe (Group) Co., Ltd. (深圳市天地(集團)股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 000023) since July 2019. |
| ZHANG Yipeng | Bachelor degree. Mr. ZHANG has served as a non-executive Director of the Company since 25 November 2021. Mr. ZHANG started his career in August 1983 and successively served as a management specialist of station II, clerk of station VI, staff member of the corporate finance section, staff member and deputy principal staff member of the infrastructure construction division, deputy principal staff member and principal staff member of the economic construction division, principal staff member of the office, deputy director and director of the corporate division of Third Branch of Shanghai Municipal Finance Bureau (上海市財政局第三分局). He served as the director of Shanghai Municipal Investment (Group) Corporation (上海城投(集團)有限公司) from January 2019 to July 2022. He has been serving as the chief financial officer of Shanghai Municipal Investment (Group) Corporation (上海城投(集團)有限公司) since January 2019. |
| AN Hongjun | Doctor of economics. Mr. AN has served as a non-executive Director of the Company since 14 November 2019. Mr. AN joined New China Asset Management Co., Ltd. (新華資產管理股份有限公司) in May 2010 and successively served as the deputy general manager of the project investment department (in charge of daily operations) and the general manager of the international business department. He has been an executive director and the president of New China Asset Management (Hong Kong) Limited (新華資產管理(香港)有限公司) since April 2013. He has also been an executive director and president of New China Capital Management Limited (新華資本管理有限公司) since September 2015. He has been a non-executive director of China Jinmao Holdings Group Limited (中國金茂控股集團有限公司), a listed company on The Stock Exchange of Hong Kong Limited with stock code of 0817, since November 2015. Prior to joining New China Asset Management Co., Ltd., Mr. AN had held various positions, including project manager, macro researcher and senior analyst, in Northeast Securities Co., Ltd (東北證券股份有限公司), the People's Insurance Company (Group) of China Limited (中國人民保險集團公司) and China Life Franklin Asset Management Company Limited (中國人壽富蘭克林資產管理有限公司). Mr. AN has intensive experiences in securities, insurance and investment sectors. |

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| Name | Major working experience |
|-----------|--|
| XIA Dawei | <p>Master of economics, a professor and a doctoral supervisor. Mr. XIA has served as an independent non-executive Director of the Company since 19 May 2016. Mr. XIA has previously worked as a teacher, the chancellor assistant and the vice chancellor of Shanghai University of Finance and Economics (上海財經大學) and then served as the dean of Shanghai National Accounting Institute. Mr. XIA had successively held positions including a professor, a doctoral tutor and the academic committee director of Shanghai National Accounting Institute since August 2012. Mr. XIA successively held the positions of the deputy chairman of the Chinese Industrial Economic Association (中國工業經濟學會), the consultant of China Accounting Standards Committee of the Ministry of Finance (財政部會計準則委員會), vice chairman of Accounting Society of China, the vice chairman of China Association of Chief Financial Officers, the chairman of Shanghai Accounting Association, the honorary professor of the Chinese University of Hong Kong, the part-time professor of the School of Management of Fudan University and a member of the listed company expert committee of the Shanghai Stock Exchange and enjoys the government allowance of the State Council. Mr. XIA served as an independent director of Yango Group Co., Ltd (陽光城集團股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 000671) from November 2020 to August 2022, and an external supervisor of the Industrial Bank Co. Ltd. (興業銀行股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code of 601166) from May 2016 to May 2022. Mr. XIA has been serving as an independent director of Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司) (a company listed on the Hong Kong Stock Exchange with stock code of 0980) since September 2004, and Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code of 603885) since July 2017.</p> |
| DING Wei | <p>Bachelor of finance. Mr. DING has served as an independent non-executive Director of the Company since 28 June 2021. Mr. DING successively served as the economist and department head of the World Bank and the IMF, head of China Region in Deutsche Bank, chairman of the investment banking management committee and the head of the investment banking department of China International Capital Corporation Limited (中國國際金融股份有限公司, the A shares of which are listed on the Shanghai Stock Exchange with stock code of 601995; the H shares of which listed on the Hong Kong Stock Exchange with stock code of 3908), member of the Temasek global senior management committee, member of the global investment policy committee, head of China Region, vice chairman of Asia Region of the investment banking division at Morgan Stanley, CEO and chairman of CICC Capital Management Co., Ltd. (中金資本運營有限公司). Mr. DING has been the founder and chairman of Xiamen Borun Capital Investment Management Co., Ltd. (廈門博潤資本投資管理有限公司) since January 2021, an independent director of Hundsun Technologies Inc. (a company listed on the Shanghai Stock Exchange with stock code of 600570) since September 2021, and an independent director of Chongqing Changan Automobile Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code of 000625) since June 2022. Mr. DING served as an independent director of Hundsun Technologies Inc. (a company listed on the Shanghai Stock Exchange with stock code of 600570) from October 2014 to February 2020 and an independent director of CAR Inc (a company previously listed on the Hong Kong Stock Exchange with former stock code of 0699 and withdrawn from listing on 8 July 2021) from August 2014 to July 2021.</p> |

Section IV Corporate Governance

| Name | Major working experience |
|---------------------|---|
| LI Renjie | Bachelor of economics. Mr. LI has served as an independent non-executive Director of the Company since 28 June 2021. Mr. LI successively served as the director of planning division of the People's Bank of China Fujian Branch, executive director of Hong Kong Jiangnan Finance Company (香港江南財務公司), chairman of Great Wall Securities Co., Ltd. (長城證券有限責任公司), president of Industrial Bank Shenzhen Branch, vice president of Industrial Bank, director and president of Industrial Bank, chairman of Lufax Holding Ltd. (陸金所控股有限公司) (a company listed on the New York Stock Exchange with stock code of LUJ). |
| BAI Wei | Master of laws. Mr. BAI has served as an independent non-executive Director of the Company since 28 June 2021. Mr. BAI successively served as a lawyer at China Global Law Office (中國環球律師事務所), an associate at Sullivan & Cromwell LLP, and a member of the 19th CSRC Public Offering Review Committee, a member of the Listing Committee for the Shanghai Stock Exchange. From July 2013 to August 2019, Mr. BAI served as an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司, the A shares of which listed on the Shanghai Stock Exchange with stock code 601601 and the H shares listed on the Hong Kong Stock Exchange with stock code 2601), an independent non-executive director of Huatai Securities Co., Ltd. (華泰證券股份有限公司), and an independent director of Ningxia Orient Tantalum Industry Co., Ltd. (寧夏東方鋇業股份有限公司). Mr. BAI has been serving as a founding partner and lawyer at Jingtian & Gongcheng since April 1992. |
| LEE Conway Kong Wai | Master degree. Mr. LEE has served as an independent non-executive Director of the Company since 11 April 2017. Mr. LEE served as a partner of Ernst & Young from September 1980 to September 2009. Currently, Mr. LEE has been an independent non-executive director of several companies listed on the Hong Kong Stock Exchange, including Chaowei Power Holdings Limited (stock code: 0951) since June 2010, West China Cement Limited (stock code: 2233) since July 2010, China Modern Dairy Holdings Limited (stock code: 1117) since October 2010, Gome Electrical Appliances Holdings Limited (stock code: 0493) since March 2011, NVC Lighting Holding Limited (stock code: 2222) since November 2012, Yashili International Holdings Limited (stock code: 1230) since November 2013, GCL New Energy Holdings Limited (stock code: 0451) since May 2014. Mr. LI served as an independent non-executive director of Tibet 5100 Water Resources Holdings Ltd. (a company listed on the Hong Kong Stock Exchange with stock code of 1115) from March 2011 to February 2020, an independent non-executive director of China Rundong Auto Group Limited (a company listed on the Hong Kong Stock Exchange with stock code of 1365) from August 2014 to December 2020, and an independent non-executive director of WH Group Limited (a company listed on the Hong Kong Stock Exchange with stock code of 0288) from August 2014 to June 2022. Mr. LEE was appointed as a member of the Chinese People's Political Consultative Conference of Hunan Province from 2007 to 2017. Mr. LEE has been a member of several institutes of certified accountants, including the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants. |

Section IV Corporate Governance

| Name | Major working experience |
|---------------|---|
| CHAI Hongfeng | <p>An expert in financial information engineering management, an academician of Chinese Academy of Engineering, a master's degree holder in finance, a first-level professor and a doctoral supervisor. Mr. CHAI has served as an independent non-executive Director of the Company since 25 November 2021. Mr. CHAI successively served as a deputy director of the information center of the State Administration of Foreign Exchange (國家外匯局信息中心), a vice president of China Foreign Exchange Trade System (中國外匯交易中心), a director and the executive vice president of China UnionPay Co., Ltd. (中國銀聯股份有限公司). He has served as the president and head of the National Engineering Laboratory of Electronic Commerce and Electronic Payment (國家電子商務與電子支付工程實驗室), and a professor in the School of Computer Science of Fudan University (復旦大學) since March 2020. Mr. CHAI is the chairman of the mobile finance professional committee of the National Internet Finance Association of China (中國互聯網金融協會移動金融專業委員會) and an expert of the intelligent political and strategical expert consulting committee of China Construction Bank (中國建設銀行智慧政務戰略專家諮詢委員會). He is entitled to special government allowances of the State Council.</p> |
| WU Hongwei | <p>Formerly WU Hongwei (吳紅衛), master of business administration and a researcher. Mr. WU has served as the vice chairman of the Supervisory Committee and employee Supervisor of the Company since 28 June 2021. Mr. WU successively served as a designer, project leader, assistant and deputy director of the research plan office, deputy director of the science and technology Office, secretary of the science and technology committee, the director of the personnel security department, the director of the administration department, the deputy secretary of CPC party committee and secretary of discipline inspection committee, and the chairman of the labor union at Unit 801 of Shanghai Aerospace Administration (上海航天局八〇一研究所). Mr. WU served as the secretary of CPC party committee at Shanghai Xinguang Telecom Factory (上海新光電訊廠). Mr. WU consecutively served as the deputy director of the human resources department (in charge of daily operations), the director of the human resources department and the general secretary of the CPC party committee at the Social Work Committee of CPC Shanghai Municipal Committee (上海市社會工作黨委). Mr. WU consecutively served as the secretary of the discipline inspection committee, a member of CPC party committee and the leader of dispatched discipline inspection office of the Discipline Inspection Committee of CPC Shanghai Municipal Committee to the CPC party committee of Shanghai SASAC (上海市紀委駐上海市國資委黨委紀檢組組長); Mr. WU served as the deputy secretary of CPC party committee, secretary of discipline inspection committee, vice chairman of the supervisory committee and the leader of dispatched discipline inspection office of the Discipline Inspection Committee of CPC Shanghai Municipal Committee to Haitong Securities Co., Ltd. (the A shares of which listed on the Shanghai Stock Exchange with stock code 600837 and the H shares listed on the Hong Kong Stock Exchange with stock code 6837) (上海市紀委監委駐海通證券股份有限公司紀檢監察組組長) from September 2017 to May 2021. Mr. WU has been serving as the deputy secretary of CPC party committee of the Company since May 2021.</p> |

Section IV Corporate Governance

| Name | Major working experience |
|--------------|---|
| ZHOU Zhaohui | <p>A postgraduate and an engineer. Mr. ZHOU has served as a Supervisor of the Company since 28 June 2021. Mr. ZHOU successively served as the office business director, the deputy director, the director and the deputy minister of the securities department, and the securities affairs representative of Shenzhen Energy Investment Co., Ltd. (深圳能源投資股份有限公司), the secretary of the board of directors of Shenzhen Energy Logistics Co., Ltd. (深圳能源物流有限公司), the office director and the secretary of the chairman of the board of directors of Shenzhen Energy Group Co., Ltd. (深圳市能源集團有限公司), the secretary of the chairman of the board of directors, the senior manager of investor relations of the office of the board of directors, the acting director, the director, general manager and the securities affairs representative of Shenzhen Energy Group Co., Ltd. (深圳能源集團股份有限公司), and a director of Shenzhen Energy Environmental Co., Ltd. (深圳市能源環保有限公司). From June 2015 to October 2020, Mr. ZHOU concurrently served as a supervisor of China Great Wall Securities Co., Ltd. (長城證券股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 002939). From June 2021 to July 2022, Mr. ZHOU concurrently served as an executive director and general manager of Shenzhen East Electricity Co., Ltd. (深圳市東部電力有限公司). From November 2021 to July 2022, Mr. ZHOU concurrently served as an executive director and general manager of Shenzhen Pengwan Power Operation Co., Ltd. (深圳市鵬灣電力運營有限公司). Mr. ZHOU has been the secretary of board of directors and the general manager of the office of the board of directors of Shenzhen Energy Group Co., Ltd. (深圳能源集團股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 000027) since June 2020; a supervisor of Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) since May 2012; the vice chairman and director of China Great Wall Securities Co., Ltd. since October 2020; and a director of Shenzhen Energy Environmental Co., Ltd. (深圳能源環保股份有限公司) since November 2021.</p> |
| SHEN Yun | <p>Bachelor degree. Mr. SHEN has served as a Supervisor of the Company since 28 June 2021. Mr. SHEN successively served as the staff of the planning and finance department of Shanghai Jin Jiang International Hotel Company Limited (上海錦江國際酒店股份有限公司); the assistant in the office of the board of directors of Shanghai Jin Jiang Capital Company Limited (上海錦江資本股份有限公司) (a company listed on the Hong Kong Stock Exchange with stock code of 2006); the deputy manager of the planning and development department and the secretary to the board of directors of Shanghai Jin Jiang International Travel Service Company Limited (上海錦江國際旅遊股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code of 900929); Mr. SHEN has been serving as the secretary to the board of directors of Shanghai Jin Jiang Online Network Service Company Limited (上海錦江在線網絡服務股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code of 600650, 900914) since June 2015.</p> |

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| Name | Major working experience |
|----------------|---|
| ZUO Zhipeng | <p>Formerly ZUO Fanxiu (左反修). Master of business administration, a senior accountant and a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. ZUO has served as a Supervisor of the Company since 27 June 2016. Mr. ZUO successively served as an officer of the finance division of Anqing Textile Factory (安慶紡織廠), and an assistant of the finance division head of Anhui Huamao Textile Co., Ltd. (安徽華茂紡織有限公司). Mr. ZUO then successively held various positions in Anhui Huamao Textile Company Limited (安徽華茂紡織股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 000850), including director, the director of finance division, the deputy general manager, the secretary to the board of directors and the chief financial officer, and concurrently served as a director in many of its subsidiaries. Mr. ZUO has been serving as a director of Anhui Huamao Group Co., Ltd. (安徽華茂集團有限公司) since March 2007; a director and the general manager of Anhui Huamao Textile Company Limited (安徽華茂紡織股份有限公司) since April 2016.</p> |
| SHAO Liangming | <p>Master of law. Mr. SHAO has served as an employee Supervisor of the Company since 28 June 2021. Mr. SHAO successively served as teacher and vice president at Chi'an Middle School of Hanjiang District, Yangzhou (揚州市邗江區赤岸中學), and the deputy chief section member of the organization section of the Organization Department of Chongming Party Committee (崇明縣委組織部) of Shanghai. Mr. SHAO worked as deputy chief section member, chief section member at the human resources office of CPC Municipal financial working committee of Shanghai. Mr. SHAO served as the vice president, the general manager of the human resources department, office director of CPC working committee and the general manager of the wealth management business department of Aijian Securities Co., Ltd. (愛建證券有限責任公司). Mr. SHAO served as the deputy general manager of the human resources department of the Company from November 2020 to October 2021. Mr. SHAO served as the deputy director of the Party Committee Office (in charge of daily operations) and the deputy director of the Party Committee Propaganda Department (in charge of daily operations) of the Company from October 2021 to May 2022. Mr. SHAO has served as the director of the Party Committee Office and the director of the Party Committee Propaganda Department of the Company since May 2022.</p> |
| XIE Min | <p>Doctor of economics. Mr. XIE has served as an employee Supervisor of the Company since 28 June 2021. Mr. XIE successively served as a teacher of the primary section at Jiangxi Vocational & Technical College of Electricity (江西電力職業技術學院) and a researcher at the Jiangxi Economic Development Research Institute (江西經濟發展研究院) of Jiangxi University of Finance and Economics (江西財經大學). Mr. XIE served as the senior manager of the strategic development department of Shanghai International Group (上海國際集團有限公司); Mr. XIE successively served at the post-doctoral workstation project research post and performance management post of human resources department of the Company. Mr. XIE has been serving at the office of the Labor Union of the Company since December 2016.</p> |

Section IV Corporate Governance

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

Section IV Corporate Governance

| Name | Major working experience |
|---------------|---|
| NIE Xiaogang | Doctor of economics. Mr. NIE has served as the vice president, the Chief Financial Officer and the Chief Risk Officer of the Company since 28 June 2021. He served successively as an employee of the Third Investment Banking Department of Guotai Securities Co., Ltd., the head and deputy manager of the President Office, the deputy manager of the Marketing Management Headquarters, the assistant to the director, deputy director and the director of the secretariat of the Board of the Company, and the president of Guotai Junan Innovation Investment Co., Ltd. He also served as the general manager of the Strategies Management Department, the general manager of the Equity Investment Department, the general manager of the Strategic Investment Department, the vice president of the Strategic Investment and Direct Investment Business Committee of the Company, the general manager and chairman of Guotai Junan Zhengyu Investment Co., Ltd., and the general manager of Risk Management Department of the Company. |
| LI Junjie | Master of economics. Mr. LI has served as the vice president of the Company since 28 June 2021. He served successively as the senior supervisor and the assistant director of the Office of China UnionPay Co., Ltd. (中國銀聯股份有限公司), the assistant to the general manager of the administrative management headquarters and a deputy general manager of the financial management headquarters of Shanghai International Group Co., Ltd., the deputy director and director of the Board Office and the representative of securities issues of the Company, and the general manager, and a vice chairman and the chairman of Shanghai Securities Co., Ltd. Mr. LI has concurrently served as the general manager of the Human Resources Department of the Company since January 2021, the director of human resources of the Company since June 2021, and the president of the Investment Banking Division and the director of the Executive Board of the Company since January 2022. |
| ZHANG Zhihong | Doctor of economics and a senior economist. Ms. ZHANG has served as the Chief Compliance Officer of the Company since 19 November 2018 and the chief legal counsel of the Company since 26 August 2022. She served successively as the deputy director of the party committee (discipline inspection) office and the deputy director of the agency department of the Shanghai Securities Management Office. She also served as the director of the agency supervision department, the director of the agency supervision department I, the director of the listed companies' supervision department I of the Shanghai Bureau of the CSRC, and the chief compliance officer and a deputy general manager of Great Wall Securities Co., Ltd. She served as the president assistant, a vice president and the business director of the Investment Banking Business Committee, and a vice president of the Investment Banking Business Committee of the Company. Ms. ZHANG has served as the chairman of the Trade Union of the Company since May 2020. |

Other Information

Applicable Not applicable

Section IV Corporate Governance

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

1. Positions in Shareholder entities

√ Applicable □ Not applicable

| Staff name | Name of Shareholder entities | Position held in the Shareholder entities | Starting date of term of office | Expiry date of term of office |
|--|---|---|---------------------------------|-------------------------------|
| LIU Xinyi | Shanghai International Group Co., Ltd. | Director, president | November 2019 | Until expiry of term |
| GUAN Wei | Shanghai International Group Co., Ltd. | Vice president, chief financial officer | September 2019 | Until expiry of term |
| | Shanghai State-owned Assets Management Co., Ltd. | Chairman | December 2021 | Until expiry of term |
| ZHONG Maojun | Shanghai International Group Co., Ltd. | Director, chief operation officer | May 2016 | Until expiry of term |
| | Shanghai State-owned Assets Management Co., Ltd. | Chairman of the supervisory committee | April 2020 | Until expiry of term |
| CHEN Hua | Shanghai State-owned Assets Management Co., Ltd. | Executive deputy general manager | November 2018 | Until expiry of term |
| WANG Wenjie | Shenzhen Investment Holdings Co., Ltd. | Director, general manager | May 2018 | Until expiry of term |
| ZHANG Zhan | Shenzhen Investment Holdings Co., Ltd. | Deputy director of the capital operation department | June 2018 | Until expiry of term |
| ZHANG Yipeng | Shanghai Municipal Investment (Group) Corporation | Director | January 2019 | July 2022 |
| AN Hongjun | New China Asset Management (Hong Kong) Limited | Chief financial officer | January 2019 | Until expiry of term |
| | | Executive director, president | April 2013 | Until expiry of term |
| ZHOU Zhaohui | Shenzhen Energy Group Co., Ltd. | Securities affairs representative | June 2008 | September 2022 |
| | | General manager of the office of the board | January 2014 | Until expiry of term |
| | | Secretary to the board | June 2020 | Until expiry of term |
| SHEN Yun | Shanghai Jin Jiang Online Network Service Company Limited | Secretary to the board | June 2015 | Until expiry of term |
| | | | | |
| ZUO Zhipeng | Anhui Huamao Textile Company Limited | Director, general manager | April 2016 | Until expiry of term |
| Explanations on the positions in Shareholder entities | None | | | |

Section IV Corporate Governance

2. Positions in other entities

Applicable Not applicable

| Staff name | Name of other entities | Position held in other entities | Starting date of term of office | Expiry date of term of office |
|--------------|--|---------------------------------|---------------------------------|-------------------------------|
| YU Jian | Guotai Junan Financial Holdings Co., Ltd. | Director | June 2020 | Until expiry of term |
| | Shanghai Guotai Junan Securities Asset Management Co., Ltd. (上海國泰君安證券資產管理有限公司) | Director | August 2020 | January 2022 |
| | Shanghai Securities Co., Ltd. | Director | January 2021 | Until expiry of term |
| | Guotai Junan International Holdings Limited | Non-executive director | February 2022 | Until expiry of term |
| LIU Xinyi | Sailing Capital Management Co., Ltd. | Chairman | January 2020 | Until expiry of term |
| GUAN Wei | Sailing Capital Management Co., Ltd. | Director | February 2019 | Until expiry of term |
| | Sailing Capital International Investment Fund (Shanghai) Co., Ltd. | Director | February 2019 | Until expiry of term |
| | Shanghai Guosheng Capital Management Co., Ltd. (上海國盛資本管理有限公司) | Director | March 2019 | Until expiry of term |
| | Shanghai Pudong Development Bank Co., Ltd. | Director | July 2019 | Until expiry of term |
| ZHONG Maojun | Shanghai Xieyi Asset Management Co., Ltd. | Chairman | January 2016 | Until expiry of term |
| CHEN Hua | Shanghai Guoxin Venture Capital Co., Ltd. (上海國鑫創業投資有限公司) | Chairman | November 2018 | Until expiry of term |
| | Guohua Satellite Application Industry Fund Management (Nanjing) Co., Ltd. (國華衛星應用產業基金管理(南京)有限公司) | Director | May 2020 | Until expiry of term |
| | Shanghai Zhaoxin Semiconductor Co., Ltd. (上海兆芯集成電路有限公司) | Director | November 2022 | Until expiry of term |
| ZHANG Zhan | Shenzhen Universe (Group) Co. Ltd. (深圳市天地(集團)股份有限公司) | Director | July 2019 | Until expiry of term |
| | Guotai Junan Investment Management Co., Ltd. | Director | May 2021 | Until expiry of term |

Section IV Corporate Governance

| Staff name | Name of other entities | Position held in other entities | Starting date of term of office | Expiry date of term of office |
|--------------|---|------------------------------------|---------------------------------|-------------------------------|
| ZHANG Yipeng | Shanghai Municipal Investment Environmental Financial Services Co., Ltd. (上海城投環保金融服務有限公司) | Chairman | May 2019 | Until expiry of term |
| | Shanghai Municipal Investment Environmental Industry Investment Management Co., Ltd. (上海城投環保產業投資管理有限公司) | Chairman | May 2019 | Until expiry of term |
| | Shanghai Municipal Investment Group Finance Co., Ltd. (上海城投集團財務有限公司) | Director | November 2019 | Until expiry of term |
| AN Hongjun | Profound Brilliant Star Limited | Director | August 2015 | Until expiry of term |
| | New China Capital Management Limited | Director, president | September 2015 | Until expiry of term |
| | Huixin Capital International Management Limited | Director | September 2015 | Until expiry of term |
| | China Jinmao Holdings Group Limited | Non-executive director | November 2015 | Until expiry of term |
| XIA Dawei | Lianhua Supermarket Holdings Co., Ltd. | Independent non-executive director | September 2004 | Until expiry of term |
| | Industrial Bank Co., Ltd. | External supervisor | May 2016 | May 2022 |
| | Juneyao Airlines Co., Ltd. | Independent director | July 2017 | Until expiry of term |
| | China Three Gorges Corporation | External director | September 2019 | Until expiry of term |
| | Yango Group Co., Ltd (陽光城集團股份有限公司) | Independent director | November 2020 | August 2022 |
| | Baowu Carbon Technology Co., Ltd. (寶武碳業科技股份有限公司) | Independent director | June 2021 | Until expiry of term |
| | Zheng Xin Bank Company Limited | Independent director | January 2018 | Until expiry of term |
| | Shanghai Chengchuang Investment Management Co., Ltd. (上海城創投資管理股份有限公司) | Independent director | January 2015 | Until expiry of term |
| | Foresight Fund Management Company (睿遠基金管理有限公司) | Independent director | 2022 | Until expiry of term |

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| Staff name | Name of other entities | Position held in other entities | Starting date of term of office | Expiry date of term of office |
|---------------------|---|--|---------------------------------|-------------------------------|
| DING Wei | Xiamen Borun Capital Investment Management Co., Ltd. (廈門博潤資本投資管理有限公司) | Executive director, legal representative | January 2021 | Until expiry of term |
| | Xiamen Borun Bowei Consulting Management Co., Ltd. (廈門博潤博為諮詢管理有限公司) | Legal representative | January 2023 | Until expiry of term |
| | Xiamen Borun Capital Holding Partnership (Limited Partnership) (廈門博潤資本控股合夥企業(有限合夥)) | Managing partner | October 2020 | Until expiry of term |
| | Borun Multi-strategies (Xiamen) Equity Investment Partnership (Limited Partnership) (博潤多策略(廈門)股權投資合夥企業(有限合夥)) | Representative of managing partner | November 2021 | Until expiry of term |
| | Hundsun Technologies Inc. | Independent director | September 2021 | Until expiry of term |
| LI Renjie | Chongqing Changan Automobile Co., Ltd. (重慶長安汽車股份有限公司) | Independent director | June 2022 | Until expiry of term |
| | Huaneng Guicheng Trust Co., Ltd. (華能貴誠信託有限公司) | Independent director | 2021 | Until expiry of term |
| | Xiamen International Bank Co., Ltd. | Independent director | 2021 | Until expiry of term |
| BAI Wei | Jingtian & Gongcheng | Partner | April 1992 | Until expiry of term |
| LEE Conway Kong Wai | Chaowei Power Holdings Limited | Independent non-executive director | June 2010 | Until expiry of term |
| | West China Cement Limited | Independent non-executive director | July 2010 | Until expiry of term |
| | China Modern Dairy Holdings Limited | Independent non-executive director | October 2010 | Until expiry of term |
| | Gome Electrical Appliances Holdings Limited | Independent non-executive director | March 2011 | Until expiry of term |
| | NVC Lighting Holding Limited | Independent non-executive director | November 2012 | Until expiry of term |
| | Yashili International Holdings Limited | Independent non-executive director | November 2013 | Until expiry of term |
| | GCL New Energy Holdings Limited | Independent non-executive director | May 2014 | Until expiry of term |
| WH Group Limited | Independent non-executive director | August 2014 | June 2022 | |

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| Staff name | Name of other entities | Position held in other entities | Starting date of term of office | Expiry date of term of office |
|---------------|--|-------------------------------------|---------------------------------|-------------------------------|
| CHAI Hongfeng | School of Computer Science of Fudan University | Professor | March 2020 | Until expiry of term |
| ZHOU Zhaohui | Shenzhen East Electricity Co., Ltd. (深圳市東部電力有限公司) | Executive director, general manager | June 2021 | July 2022 |
| | Shenzhen Pengwan Power Operation Co., Ltd. (深圳市鵬灣電力運營有限公司) | Executive director, general manager | November 2021 | July 2022 |
| | Shenzhen Energy Environmental Co., Ltd. (深圳能源環保股份有限公司) | Director | November 2021 | Until expiry of term |
| | China Great Wall Securities Co., Ltd. (長城證券股份有限公司) | Vice chairman | October 2020 | Until expiry of term |
| | Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) | Supervisor | May 2012 | Until expiry of term |
| ZUO Zhipeng | Anhui Huamao Group Co., Ltd. | Director | March 2007 | Until expiry of term |
| | Anhui Huatai Textile Co., Ltd. (安徽華泰紡織有限公司) | Director | June 2007 | Until expiry of term |
| | Anhui Huayi Sewing Threads Co., Ltd. (安徽華意製線有限公司) | Director | June 2007 | Until expiry of term |
| | Anhui Huamao Weaving and Dyeing Co., Ltd. (安徽華茂織染有限公司) | Director | January 2011 | Until expiry of term |
| | Anqing Huamao Baisite Textile Technology Co., Ltd. (安慶華茂佰斯特紡織科技有限公司) | Director | July 2012 | Until expiry of term |
| | Anqing Huaxin Industrial Cloth Co., Ltd. (安慶華欣產業用布有限公司) | Director | August 2015 | Until expiry of term |
| | Alar Xinkai Textile Co., Ltd. (阿拉爾市新凱紡織有限公司) | Director | September 2010 | Until expiry of term |
| | Alashankou Boyuan Textile Co., Ltd. (阿拉山口博源紡織有限公司) | Director | June 2015 | Until expiry of term |

Section IV Corporate Governance

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

Section IV Corporate Governance

| Staff name | Name of other entities | Position held in other entities | Starting date of term of office | Expiry date of term of office |
|--|--|---------------------------------------|---------------------------------|-------------------------------|
| | Anqing Zhenfeng Auction Co., Ltd. (安慶市振風拍賣有限公司) | Director | June 2016 | Until expiry of term |
| | Anhui Huamao Zhenyang Investment Co., Ltd. (安徽華茂振陽投資有限公司) | Director | June 2017 | Until expiry of term |
| | Anqing Xinsheng Technology Co., Ltd. (安慶新盛科技有限公司) | Director | September 2021 | Until expiry of term |
| | Guotai Junan Investment Management Co., Ltd. | Supervisor | April 2014 | Until expiry of term |
| XIE Lebin | Guotai Junan Financial Holdings Co., Ltd. | Chairman of the board | December 2021 | Until expiry of term |
| | Guotai Junan Financial Holdings Co., Ltd. | Director | June 2020 | Until expiry of term |
| | Shanghai Guotai Junan Securities Asset Management Co., Ltd. (上海國泰君安證券資產管理有限公司) | Chairman | January 2022 | Until expiry of term |
| | Guotai Junan American Holdings Co., Ltd. (國泰君安美國控股有限公司) | Director | December 2020 | Until expiry of term |
| LUO Dongyuan | China Securities Credit Investment Co., Ltd. | Director | May 2022 | Until expiry of term |
| | Guotai Junan Investments (Hong Kong) Limited | Director | July 2017 | Until expiry of term |
| NIE Xiaogang | Guotai Junan Innovation Investment Co., Ltd. | Director | August 2010 | June 2022 |
| LI Junjie | Shanghai Securities Co., Ltd. | Director | January 2017 | Until expiry of term |
| ZHANG Zhihong | HuaAn Funds Management Co., Ltd. | Chairman of the supervisory committee | August 2014 | Until expiry of term |
| Explanations on the positions in other entities | None | | | |

Section IV Corporate Governance

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

√ Applicable □ Not applicable

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

The Company has established the Remuneration, Appraisal and Nomination Committee under the Board, mainly responsible for reviewing and making recommendations on the assessment and remuneration management system for Directors and senior management members of the Company, establishing formal and transparent procedures for developing remuneration policy and making recommendations to the Board, assessing the Directors and senior management members of the Company and making recommendations, suggesting on the remuneration of the senior management with reference to the corporate operation goals and objectives set by the Board. Compensation for the Supervisors shall be proposed by the Supervisory Committee and subject to the approval at the Shareholders' general meeting.

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

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

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

See "IV. (I) Changes in the shareholdings and remuneration of the current Directors, Supervisors and senior management of the Company and those who resigned during the Reporting Period" in this section.

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

RMB35.7898 million

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

Applicable Not applicable

| Name | Position | Manner of change | Reason of change |
|---------------|---|------------------|--|
| LI Zhongning | Former chairman of the Supervisory Committee | Resignation | Resigned from the positions of the chairman of the sixth session of the Supervisory Committee and the Supervisor of the Company on 25 July 2022, as after reaching the retirement age.. |
| ZHANG Zhihong | Chief Compliance Officer, chief legal counsel | Appointment | On 26 August 2022, the Resolution on Proposed Appointment of chief legal counsel of the Company was considered and approved at the sixth meeting of the sixth session of the Board of the Company to appoint Ms. ZHANG Zhihong as the chief legal counsel of the Company |

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

Applicable Not applicable

(VI) SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

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

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

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

Section IV Corporate Governance

(VIII) Interests of Directors and Supervisors in material contracts

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

(IX) Others

Applicable Not applicable

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

The Company has established channels through formal and informal means whereby independent non-executive Directors can express their views in an open and candid manner, and in a confidential manner, should circumstances require; these include dedicated meeting sessions with the Chairman annually and interaction with management and other Board members including the Chairman outside the boardroom. In case of any conflict of interest, the relevant Director will abstain from voting and consider seeking advices from lawyers and company secretary. Therefore, the Company believes that the Board can obtain independent views and opinions.

V. CONVENING OF BOARD MEETINGS DURING THE REPORTING PERIOD

| Meeting session | Convening date | Resolutions |
|---|------------------|--|
| The fifth extraordinary meeting of the sixth session of the Board | 23 February 2022 | The Resolution on Proposing to Consider the Joint Investment of the Company and Related Parties to Participate in the Establishment of Shanghai Financial Technology Fund and the Resolution on Proposing to Consider the Adjustment to Part of the Plan for the Establishment of Shanghai Lingang Guotai Junan Technology Frontier Industrial Fund were considered and approved |

Section IV Corporate Governance

| Meeting session | Convening date | Resolutions |
|--|----------------|---|
| The fourth meeting of the sixth session of the Board | 30 March 2022 | The Work Report of the Directors of the Company for 2021, the Report on the Operation and Management of the Company for 2021, the Annual Report of the Company for 2021, the Resolution on Proposing to Consider the Work Report of Independent Directors for 2021, the Resolution on Proposing to Consider the Report on the Performance of Duties by the Audit Committee under the Board for 2021, the Resolution on Proposing to Consider the Social Responsibility Report of the Company for 2021, the Profit Distribution Plan of the Company for 2021, the Resolution on Proposing to Consider the Re-appointment of Accounting Firm, the Resolution on Proposing to Consider the Group's Risk Appetite for 2022, the Resolution on Proposing to Consider the Scale of Proprietary Trading Business of the Company for 2022, the Risk Management Report of the Company for 2021, the Compliance Report of the Company for 2021, the Internal Control Assessment Report of the Company for 2021 (Including Compliance Management Effectiveness Evaluation Report), the Resolution on Proposing to Consider the Donations by the Company to Shanghai Guotai Junan Social Welfare Foundation in 2022, the Resolution on Proposing to Consider the Capital Increase to Guotai Junan Futures Co., Ltd., the Resolution on the Potential Related Party Transactions Contemplated in the Ordinary Course of Business of the Company in 2022, the Resolution on Proposing the General Meeting to Grant a General Mandate to the Board to Issue Additional A Shares or H Shares and the Resolution on Proposing to Consider the Convening of the Annual General Meeting of the Company for 2021 were considered and approved, and the Special Report on the Information Technology Management of the Company for 2021 was listened |
| The fifth meeting of the sixth session of the Board | 29 April 2022 | The 2022 First Quarterly Report of the Company was considered and approved |

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| Meeting session | Convening date | Resolutions |
|--|-----------------|---|
| The sixth extraordinary meeting of the sixth session of the Board | 24 May 2022 | The Resolution on Proposed Amendments to the Articles of Association, the Resolution on Proposing to Consider the Establishment of a Branch in Xiong'an New Area, the Resolution on Proposing to Consider the Capital Increase to Guotai Junan Zhengyu Investment Co., Ltd. and the Resolution on Proposing to Consider the Acquisition of Part of Shares of HuaAn Funds were considered and approved |
| The seventh extraordinary meeting of the sixth session of the Board | 16 June 2022 | The Resolution on Proposed Convening of the 2022 First Extraordinary General Meeting was considered and approved |
| The eighth extraordinary meeting of the sixth session of the Board | 29 June 2022 | The Resolution on Proposing to Consider Conducting Stocks Market-making Business on the Science and Technology Innovation Board and the Resolution on Proposing to Consider the Establishment of an Executive Office under the Wealth Management Committee were considered and approved |
| The ninth extraordinary meeting of the sixth session of the Board | 25 July 2022 | The Resolution on Proposing to Consider the Establishment of Qianhai Branch and the Resolution on Proposing to Consider the Upgrade of Customer Demand-oriented Equity Department to Level 1 Department were considered and approved |
| The sixth meeting of the sixth session of the Board | 26 August 2022 | The 2022 Interim Report of the Company, the 2022 Interim Compliance Report of the Company, the 2022 Interim Risk Management Report of the Company, the Resolution on Proposed Appointment of chief legal counsel of the Company and the Resolution on Proposed Amendments to the Working Rules of the Remuneration, Appraisal and Nomination Committee under the Board were considered and approved |
| The tenth extraordinary meeting of the sixth session of the Board | 12 October 2022 | The Resolution on Proposing to Consider the Establishment of Branches in New Lingang Area and Qingpu New Town and the Resolution on Proposing to Consider Conducting of Bonds Market-making Transaction Business on the Exchange were considered and approved |
| The eleventh extraordinary meeting of the sixth session of the Board | 17 October 2022 | The Resolution on the Proposal of No Downward Adjustment to the Share Conversion Price of "GuoJun Convertible Bonds" was considered and approved |

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| Meeting session | Convening date | Resolutions |
|--|------------------|--|
| The seventh meeting of the sixth session of the Board | 28 October 2022 | The 2022 Third Quarterly Report of the Company was considered and approved |
| The twelfth extraordinary meeting of the sixth session of the Board | 29 November 2022 | The Resolution on Proposing to Consider the Achievement of Releasing Selling Restrictions in the First Lock-up Period for the First Grant under the Restricted Share Incentive Plan of A Shares and Releasing Selling Restrictions, the Resolution on Proposing to Consider Repurchase and Cancellation of Part of the Restricted A Shares and the Resolution on Proposing to Consider the Entering into of the 2022 Securities and Financial Products Transactions and Services Framework Agreement between the Company and HuaAn Funds Management Co., Ltd. were considered and approved |
| The thirteenth extraordinary meeting of the sixth session of the Board | 15 December 2022 | The Resolution on Proposing to Consider the Joint Investment of the Company and Related Parties to Participate in the Establishment of Yangtze River Delta Collaborative Advantage Industry Fund (Phase II) and the Resolution on Proposing to Consider the Establishment of Hainan Subsidiary were considered and approved |
| The fourteenth extraordinary meeting of the sixth session of the Board | 29 December 2022 | The Resolution on Proposing to Consider the Entering into of the 2023-2025 Securities and Financial Products Transactions and Services Framework Agreement between the Company and Shanghai International Group Co., Ltd., the Resolution on Proposing to Consider the Entering into of the 2023 Securities and Financial Products Transactions and Services Framework Agreement between the Company and HuaAn Funds Management Co., Ltd., the Resolution on Proposed Amendments to the Articles of Association, the Resolution on Proposed Amendments to Certain Policies, the Resolution on Proposed Convening of 2023 First Extraordinary General Meeting, 2023 First Class Meeting for A Shareholders and 2023 First Class Meeting for H Shareholders, the Resolution on Proposing to Consider the Purchase of Office Properties in the Greater Bay Area and the Resolution on Proposing to Consider the Upgrade of Overseas Institutional Customers Department to Level 1 Department were considered and approved |

Section IV Corporate Governance

VI. PERFORMANCE OF DUTIES BY THE BOARD AND DIRECTORS

(I) Duties of the Board

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

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

| Name of Directors | Independent Director or not | Number of Board meetings to be attended this year | Attendance at Board meetings | | | | Attendance at general meetings | |
|-------------------|-----------------------------|---|------------------------------------|--|--------------------------------------|-------------------|--|----------------------------------|
| | | | No. of meetings attended in person | No. of meetings attended by way of telecommunication | Number of meetings attended by proxy | Number of absence | Two consecutive Board meetings not attended in person or not | No. of general meetings attended |
| HE Qing | No | 14 | 14 | 12 | 0 | 0 | No | 2 |
| WANG Song | No | 14 | 14 | 12 | 0 | 0 | No | 1 |
| YU Jian | No | 14 | 14 | 12 | 0 | 0 | No | 2 |
| LIU Xinyi | No | 14 | 14 | 12 | 0 | 0 | No | 0 |
| GUAN Wei | No | 14 | 14 | 12 | 0 | 0 | No | 0 |
| ZHONG Maojun | No | 14 | 14 | 12 | 0 | 0 | No | 1 |
| CHEN Hua | No | 14 | 14 | 12 | 0 | 0 | No | 0 |
| WANG Wenjie | No | 14 | 14 | 12 | 0 | 0 | No | 0 |
| ZHANG Zhan | No | 14 | 14 | 12 | 0 | 0 | No | 0 |
| ZHANG Yipeng | No | 14 | 14 | 12 | 0 | 0 | No | 0 |
| AN Hongjun | No | 14 | 14 | 12 | 0 | 0 | No | 0 |
| XIA Dawei | Yes | 14 | 14 | 12 | 0 | 0 | No | 0 |
| DING Wei | Yes | 14 | 14 | 12 | 0 | 0 | No | 1 |
| LI Renjie | Yes | 14 | 14 | 12 | 0 | 0 | No | 0 |
| BAI Wei | Yes | 14 | 14 | 12 | 0 | 0 | No | 2 |
| LEE Conway | | | | | | | | |
| Kong Wai | Yes | 14 | 14 | 12 | 0 | 0 | No | 2 |
| CHAI Hongfeng | Yes | 14 | 14 | 12 | 0 | 0 | No | 1 |

Not attending in person at two consecutive Board meetings

Applicable Not applicable

| | |
|---|----|
| Number of Board meetings held during the year | 14 |
| Including: Number of on-site meetings | 2 |
| Number of meetings held by way of telecommunication | 12 |
| Number of meetings held in a mixed model | 0 |

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

Applicable Not applicable

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(IV) Others

Applicable Not applicable

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

- (1) Corporate governance and related recommendations. In 2022, the Board of the Company actively responded to multiple challenges such as domestic economic downturn and intensified market volatility to deliver “non-stop transaction services and reform and development”, and maintained the overall stability and stood up to pressures to vigorously promote and implement long-term reform measures with a focus on comprehensive reform while coordinating reform, deploy development, complete the strategic layout in key regions and key businesses as well as various tasks of “laying the foundation and strengthening weakness”. The Company has received the highest AA ratings in A class in the evaluation of securities companies from the CSRC for 15 consecutive years. It has maintained the highest class A rating in the practice of industry culture construction. By devoting itself to public welfare activities, community building and supporting rural revitalization, the Company has actively fulfilled its responsibilities as a state-owned financial enterprise, which has further enhanced its competitiveness and steadily improved its brand awareness and social influence, achieving a successful wrap-up of the “first three-years.”
- (2) Performance of duties by Directors and their development. The Company has established a monthly report system on its operation and management to provide Directors with the operation and management of the Company and the development of the securities industry in a timely manner to facilitate their performance of duties. At the same time, it regularly provides Directors with the latest regulatory developments, engages intermediary agencies to provide professional training for Directors to perform their duties, or organizes Directors to participate in professional training held by regulatory authorities and industry associations, so as to continuously improve Directors’ ability to perform their duties. By participating in Board meetings, special committee meetings and corporate strategy seminars, the Directors have given advice and suggestions, performed their duties conscientiously, and continued to improve the level and capability of corporate governance.
- (3) Improvement of the governance system. The relevant corporate governance system was amended in accordance with the latest requirements of the CSRC, the Shanghai Stock Exchange, the Hong Kong Stock Exchange and other regulatory authorities; a chief legal counsel was engaged to participate in the legal review of major business decisions of the Company, and attend the Board meetings to be involved in the research, discussion or consideration of topics on legal compliance; efforts were made to promote the engagement of a chief auditor to strengthen the leadership of the Board in auditing, enhance the independence and professionalism of internal audit and supervision, and strengthen the unified and centralized management of internal audit; the requirements of managing enterprises according to law and professional integrity were incorporated into the Articles of Association. The Company has adhered to compliance operation, honesty and trustworthiness to build a law-based enterprise in all respects, conscientiously strengthen the supervision and management of professional integrity, establish and improve the management system of professional integrity, so as to effectively identify, manage and control the risks of the Company and its employees in professional integrity and form a long-term mechanism for internal control of integrity risks, which has rendered integrity culture to be an integral part of the Company’s compliance culture and strictly prevented major risks in professional integrity.

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- (4) Improvement and optimization of long-term incentive and restraint mechanism. The Company has adhered to the combination of incentives and restraints, improved the short-term and medium-to-long-term remuneration structure, and stimulated the vitality of the management. The Company has released the selling restrictions of the first lock-up period under the first grant of the Restricted Share Incentive Scheme of A Shares. The Company has strictly implemented the administrative measures on assessment and identified the termination of employment contract or the failure to meet the performance appraisal objectives among participants, and the repurchase shall be made at different grant prices.

2. Training for Directors

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

| Name | Position | Training method and content |
|-----------|---|--|
| HE Qing | Chairman, Executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in October 2022, participating in the follow-up training for practitioners in 2022 provided by the Securities Association of China; in December 2022, participating in the “Special Training on Corporate Governance” - explanation of key points in standardized governance of listed companies provided by the China Association for Public Companies. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |
| WANG Song | Vice chairman of the Board, Executive Director, President | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in July 2022, participating in the “Online Special Training for Directors of State-owned Enterprises in the City for 2022” provided by the Shanghai SASAC; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in October 2022, participating in the follow-up training for practitioners in 2022 provided by the Securities Association of China; in December 2022, participating in the “Special Training on Corporate Governance” - explanation of key points in standardized governance of listed companies provided by the China Association for Public Companies. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |

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| Name | Position | Training method and content |
|-----------|--|---|
| YU Jian | Executive Director, Secretary to the Board | In February 2022, participating in the board secretary salon of listed company provided by the China Association for Public Companies; in March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; from May to June 2022, participating in the follow-up training for board secretaries of listed companies provided by the Securities Association of China and the Shanghai Stock Exchange; in July 2022, participating in the “Online Special Training for Directors of State-owned Enterprises in the City for 2022” provided by the Shanghai SASAC; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in October 2022, participating in the follow-up training for practitioners in 2022 provided by the Securities Association of China; in December 2022, participating in the “Special Training on Corporate Governance” - explanation of key points in standardized governance of listed companies provided by the China Association for Public Companies. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |
| LIU Xinyi | Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in July 2022, participating in the “Online Special Training for Directors of State-owned Enterprises in the City for 2022” provided by the Shanghai SASAC; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |
| GUAN Wei | Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in July 2022, participating in the “Online Special Training for Directors of State-owned Enterprises in the City for 2022” provided by the Shanghai SASAC; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |

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| Name | Position | Training method and content |
|--------------|------------------------|--|
| ZHONG Maojun | Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in July 2022, participating in the “Online Special Training for Directors of State-owned Enterprises in the City for 2022” provided by the Shanghai SASAC; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |
| CHEN Hua | Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in June 2022, participating in the initial training for directors provided by the Shanghai Stock Exchange; in July 2022, participating in the “Online Special Training for Directors of State-owned Enterprises in the City for 2022” provided by the Shanghai SASAC; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |
| WANG Wenjie | Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |
| ZHANG Zhan | Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |
| ZHANG Yipeng | Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in June 2022, participating in the initial training for directors provided by the Shanghai Stock Exchange; in July 2022, participating in the “Online Special Training for Directors of State-owned Enterprises in the City for 2022” provided by the Shanghai SASAC; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |

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| Name | Position | Training method and content |
|-------------|------------------------------------|--|
| AN Hongjun | Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |
| XIA Dawei | Independent Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in December 2022, participating in the training on the Rules for the Listing of Securities on the Hong Kong Stock Exchange for 2022 provided by Baker & McKenzie; in 2022, participating in the listing tutoring training provided by Baowu Carbon Technology Co., Ltd. (寶武碳業科技股份有限公司). Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |
| DING Wei | Independent Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in June 2022, participating in the follow-up training for independent directors of listed companies provided by the Shanghai Stock Exchange; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |
| LI Renjie | Independent Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |
| BAI Wei | Independent Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in June 2022, participating in the follow-up training for independent directors of listed companies provided by the Shanghai Stock Exchange; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |

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| Name | Position | Training method and content |
|------------------------|---------------------------------------|--|
| LEE Conway Kong Wai | Independent Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer and the training on Directors' Responsibilities during the Privatization Offer Period provided by the Zhong Lun Law Firm; in October 2022, participating in the study of Chapter 17 of the Listing Rules of the Hong Kong Stock Exchange; in November 2022, participating in the training on directors' responsibilities provided by Sidley Austin; in December 2022, participating in the training on Hong Kong Codes on Takeovers and Mergers and Share Repurchases provided by Sullivan & Cromwell LLP; in December 2022, participating in the training on Ongoing Obligations of Directors of Hong Kong Listed Companies provided by Freshfields Bruckhaus Deringer and the training on the Listing Rules and ESG provided by King & Wood Mallesons. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |
| CHAI Hongfeng | Independent Non-executive Director | In March 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer; in August 2022, participating in the training on the Legal and Regulatory Updates in Hong Kong provided by Freshfields Bruckhaus Deringer. Reading and learning about interpretation of anti-money laundering, professional integrity, futures and derivatives laws and other materials. |

VII. SPECIAL COMMITTEES UNDER THE BOARD

√ Applicable □ Not applicable

(1). Composition of special committees under the Board

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

Section IV Corporate Governance

(2). During the Reporting Period, the Strategy and ESG Committee held three meetings

| Convening date | Meeting session | Major opinions and recommendations | Other performance of duties |
|------------------|---|---|---|
| 28 March 2022 | The second meeting of the Strategy and ESG Committee under the sixth session of the Board | The Resolution on the Capital Increase by the Company to a Subsidiary of Guotai Junan Futures and the Social Responsibility Report of the Company for 2021 (ESG Report) were considered, and were agreed to be submitted to the Board for consideration. | Major accomplishments of the Strategy and ESG Committee in 2022: conducted research and made recommendations on the Company's major investment and financing plans; conducted research on the Company's ESG governance and provide decision-making advice, including ESG governance vision, goals, policies, etc. |
| 24 May 2022 | The third meeting of the Strategy and ESG Committee under the sixth session of the Board | The Resolution on Proposing to Consider the Capital Increase to Guotai Junan Zhengyu Investment Co., Ltd. and the Resolution on Proposing to Consider the Acquisition of Part of Shares of HuaAn Funds were considered, and were agreed to be submitted to the Board for consideration. | |
| 15 December 2022 | The fourth meeting of the Strategy and ESG Committee under the sixth session of the Board | The Resolution on Proposing to Consider the Establishment of Hainan Subsidiary was considered, and was agreed to be submitted to the Board for consideration. | |

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

| Name | Number of meeting to be attended | Number of meeting actually attended |
|---------------|----------------------------------|-------------------------------------|
| HE Qing | 3 | 3 |
| LIU Xinyi | 3 | 3 |
| WANG Wenjie | 3 | 3 |
| AN Hongjun | 3 | 3 |
| DING Wei | 3 | 3 |
| CHAI Hongfeng | 3 | 3 |

Section IV Corporate Governance

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

| Convening date | Meeting session | Major opinions and recommendations | Other performance of duties |
|----------------|--|--|--|
| 29 March 2022 | The fifth meeting of the Remuneration, Appraisal and Nomination Committee under the sixth session of the Board | The provision for total remuneration for 2021 of the parent company for final accounting was considered; the adoption of the original method of budget accrual for 2022 remuneration of the parent company; the performance of certain senior management in 2021 was evaluated and scored at the second level at the meeting; a special appraisal based on the work report of Ms. ZHANG Zhihong in charge of compliance and the 2021 appraisal report was issued to her at the meeting; the 2021 performance-based bonus plan for certain senior management of the Company was approved. | <p>Reviewing the performance of and conducted annual performance appraisals for the senior management of the Company;</p> <p>Considering the responsibility letters for achievement of goals for term of professional managers of the Company;</p> <p>Considering the Achievement of Releasing Selling Restrictions in the First Lock-up Period for the First Grant under the Restricted Share Incentive Plan of A Shares and Releasing Selling Restrictions;</p> <p>Considering the 2021 Remuneration Incentives for the Senior Management Appointed;</p> <p>Proposing to amend the working rules of the Remuneration, Appraisal and Nomination Committee under the Board of the Company.</p> |
| 25 August 2022 | The sixth meeting of the Remuneration, Appraisal and Nomination Committee under the sixth session of the Board | The qualification of Ms. ZHANG Zhihong as a chief legal counsel of the Company were considered; the Proposal on Amendment to the Working Rules of the Remuneration, Appraisal and Nomination Committee under the Board of the Company (《關於提請修訂公司董事會薪酬考核與提名委員會工作規則的建議》) was approved; the president and vice president of the Company in 2019-2021 term were evaluated and scored at the second level. | |

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| Convening date | Meeting session | Major opinions and recommendations | Other performance of duties |
|------------------|--|--|-----------------------------|
| 22 November 2022 | The seventh meeting of the Remuneration, Appraisal and Nomination Committee under the sixth session of the Board | The professional managers of the Company were appraised and scored at the second level; the allocation of the 2021 performance-based annual salaries of the professional managers by the Company based on the final performance results of the second level of appraisal score according to the plan of the professional managers and the actual situation of the Company was approved; the 2022 performance management contracts of senior management and the responsibility letters for achievement of goals for 2022-2024 term of professional managers were approved; the 2021 remuneration incentives for the senior management appointed by the Company implemented in accordance with the spirit of the Shanghai SASAC was approved; the achievement of releasing selling restrictions in the first lock-up period for the first grant under the restricted Share Incentive Plan of A Shares and releasing selling restrictions, release selling restrictions in the first lock-up period according to the share incentive; repurchase and cancellation of certain Restricted A Shares according to incentive scheme were approved. | |
| 19 December 2022 | The eighth meeting of the Remuneration, Appraisal and Nomination Committee under the sixth session of the Board | The Proposal on Amendment to the Working Rules of the Remuneration, Appraisal and Nomination Committee under the Board of the Company (《關於提請修訂公司董事會薪酬考核與提名委員會工作規則的建議》) was considered. | |

Section IV Corporate Governance

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

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

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

The Board currently comprises a total of 17 Directors, including one female Director, representing approximately 5% of the Board members. The Board hopes to maintain the proportion of female members at least at the current level. The Board will continue to increase the proportion of female members if suitable candidates become available in the future. In respect of succession to directors, the Remuneration, Appraisal and Nomination Committee engages independent professional recruitment agencies to assist in identifying potential non-executive Director candidates when necessary.

The Company adheres to the employment policy of equal employment and equal pay for equal work, provides fair and equitable employment opportunities and development platform for female staffs, and promotes the diversity of staffs in terms of gender, age and professional background, and specifically stipulate the protection of labor rights and interests of female employees under the Special Collective Contract for the Protection of Special Rights and Interests of Female Employees (《女職工特殊權益保護專項集體合同》). At the end of the Reporting Period, the ratio of male to female among all employees of the Company (including senior management) was 1.2:1.

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

| Name | Number of meeting to be attended | Number of meeting actually attended |
|-------------|----------------------------------|-------------------------------------|
| XIA Dawei | 4 | 4 |
| GUAN Wei | 4 | 4 |
| WANG Wenjie | 4 | 4 |
| DING Wei | 4 | 4 |
| LI Renjie | 4 | 4 |

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

| Convening date | Meeting session | Major opinions and recommendations | Other performance of duties |
|-----------------|---|---|---|
| 24 January 2022 | The fifth meeting of the Audit Committee under the sixth session of the Board | The Resolution on Proposing to Consider the Co-investment with Related Parties to Participate in the Establishment of Shanghai Financial Technology Fund (《關於提請審議公司與關聯方共同投資參與設立上海金融科技基金的議案》) and the Resolution on Review of Adjustment to Part of the Plan for the Establishment of Shanghai Lingang Guotai Junan Technology Frontier Industrial Fund (《關於提請審議調整上海臨港國泰君安科技前沿產業基金設立方案部分內容的議案》) were considered, and were agreed to be submitted to the Board for consideration. | Major accomplishments of the Audit Committee in 2022: hearing the annual audit plan of external auditors and making suggestions; supervising the works of external audit institutions; hearing internal audit work reports and making suggestions; reviewing the Company's periodic reports including the annual report, semi-annual reports and quarterly reports; reviewing the Company's internal audit work reports and the Company's annual internal control assessment report (including Compliance Management Effectiveness Evaluation Report), annual special audit report of anti-money laundering, annual special audit report on major related party transactions; finalizing the list of related parties of the Company, reviewing regular related party transactions and occasional related party transactions and estimate of the related party transactions in 2022. |

Section IV Corporate Governance

| Convening date | Meeting session | Major opinions and recommendations | Other performance of duties |
|----------------|---|--|-----------------------------|
| 29 March 2022 | The sixth meeting of the Audit Committee under the sixth session of the Board | <p>The report on auditing work in 2021 of the Company by KPMG Huazhen LLP and KPMG was heard, and the report on summary of works for 2021 and work plan for 2022 by the Group Audit Center was heard.</p> <p>The Report on Auditing of the Company for 2021 (《公司 2021 年度審計報告》), the Report on Internal Control and Auditing of the Company (《公司內部控制審計報告》), the Resolution on Proposing to Consider the Report on Special Audit of Anti-money Laundering of the Company for 2021 (《關於提請審議公司 2021 年度反洗錢專項審計報告的議案》), the Resolution on Proposing to Consider the Special Audit Report on Major Related Party Transactions of the Company for 2021 (《關於提請審議公司 2021 年度重大關聯交易專項審計報告的議案》) were considered; the Resolution on Proposing to Consider the List of Related Parties of the Company (《關於提請審議公司關聯方名單的議案》) was finalized.</p> | |

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| Convening date | Meeting session | Major opinions and recommendations | Other performance of duties |
|----------------|---|---|-----------------------------|
| | | <p>The Resolution on Proposing to Consider the Annual Report of the Company for 2021 (《關於提請審議公司 2021 年年度報告的議案》), the Resolution on Proposing to Consider the Profit Distribution Plan of the Company for 2021 (《關於提請審議公司 2021 年度利潤分配預案的議案》), the Resolution on Proposing to Consider the Reappointment of Accounting Firm (《關於提請審議公司續聘會計師事務所的議案》), the Resolution on Proposing to Consider the Report on the Performance of Duties by the Audit Committee for 2021 (《關於提請審議董事會審計委員會 2021 年度履職情況報告的議案》), the Resolution on Proposing to Consider Anticipated Daily Related Party Transactions of the Company for 2022 (《關於預計 2022 年度日常關聯交易的議案》), the Resolution on Proposing to Consider the Internal Control Assessment Report of the Company for 2021 (including Compliance Management Effectiveness Evaluation Report) (《關於提請審議公司 2021 年度內部控制評價報告的議案》(含合規管理有效性評估報告)) were considered, and were agreed to be submitted to the Board for consideration.</p> | |
| 29 April 2022 | The seventh meeting of the Audit Committee under the sixth session of the Board | The First Quarterly Report of the Company in 2022 was considered, and was agreed to be submitted to the Board for consideration. | |
| 24 May 2022 | The eighth meeting of the Audit Committee under the sixth session of the Board | The Resolution on Proposing to Consider the Acquisition of Part of Shares of HuaAn Funds (《關於提請審議公司受讓華安基金部分股權的議案》) was considered, and was agreed to be submitted to the Board for consideration. | |

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| Convening date | Meeting session | Major opinions and recommendations | Other performance of duties |
|------------------|--|--|-----------------------------|
| 22 August 2022 | The ninth meeting of the Audit Committee under the sixth session of the Board | <p>The Resolution on Proposing to Consider the Interim Report of 2022 of the Company (《關於提請審議公司 2022 年半年度報告的議案》) was considered, and was agreed to be submitted to the Board for consideration. The Report on Auditing Work for the First Half of 2022 of the Company (《關於公司 2022 年半年度審閱工作的匯報》) by KPMG was heard; the Report on the Work Summary for the First Half of 2022 and Work Plan for the Second Half of the Year (《2022 年上半年工作總結及下半年工作計劃》) by the Group Audit Center was heard; the Resolution on Proposing to Consider the List of Related Parties of the Company (《關於提請審議公司關聯人名單的議案》) was finalized.</p> | |
| 28 October 2022 | The tenth meeting of the Audit Committee under the sixth session of the Board | <p>The Third Quarterly Report of the Company in 2022 was considered, and was agreed to be submitted to the Board for consideration.</p> | |
| 29 November 2022 | The eleventh meeting of the Audit Committee under the sixth session of the Board | <p>The Resolution on Proposing to Consider the Signing of 2022 Securities and Financial Products, Transactions and Services Framework Agreement between the Company and HuaAn Funds Management Co., Ltd. (《關於提請審議公司與華安基金管理有限公司簽署 2022 年證券及金融產品交易及服務框架協議的議案》) was considered, and was agreed to be submitted to the Board for consideration.</p> | |

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| Convening date | Meeting session | Major opinions and recommendations | Other performance of duties |
|------------------|--|---|-----------------------------|
| 15 December 2022 | The twelfth meeting of the Audit Committee under the sixth session of the Board | The Resolution on Proposing to Consider to Co-invest with Related Parties to Participate in the Establishment of the Yangtze River Delta Collaborative Advantage Industry Fund (Phase II) (《關於提請審議與關聯方共同投資參與設立長三角協同優勢產業二期基金的議案》) was considered, and was agreed to be submitted to the Board for consideration. | |
| 29 December 2022 | The thirteenth meeting of the Audit Committee under the sixth session of the Board | The Resolution on Proposing to Consider the Signing of 2023-2025 Securities and Financial Products Transactions and Services Framework Agreement between the Company and Shanghai International Group Co., Ltd. (《關於提請審議公司與上海國際集團有限公司簽署 2023-2025 年年度證券及金融產品交易及服務框架協議的議案》) and the Resolution on Proposing to Consider the Signing of 2023 Securities and Financial Products Transactions and Services Framework Agreement between the Company and HuaAn Funds Management Co., Ltd. (《關於提請審議公司與華安基金管理有限公司簽署 2023 年年度證券及金融產品交易及服務框架協議的議案》) were considered, and were agreed to be submitted to the Board for consideration. The Resolution on Proposing to Consider the Pre-Consent Method for the Provision of Non-assurance Services by the Auditors (《關於提請審議審計師提供非鑑證服務預先同意方法的議案》) was considered. | |

Section IV Corporate Governance

- **The main functions and duties of the Audit Committee:**

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

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

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

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

| Name | Number of meeting to be attended | Number of meeting actually attended |
|---------------------|---|--|
| LEE Conway Kong Wai | 9 | 9 |
| CHEN Hua | 9 | 9 |
| ZHANG Zhan | 9 | 9 |
| XIA Dawei | 9 | 9 |
| BAI Wei | 9 | 9 |

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

| Convening date | Meeting session | Major opinions and recommendations | Other performance of duties |
|------------------|---|---|--|
| 28 March 2022 | The second meeting of the Risk Control Committee under the sixth session of the Board | Considered the Resolution on Proposing to Consider the Anti-money Laundering Report of the Company for 2021 (《關於提請審議公司反洗錢 2021 年度報告的議案》), considered the submission of the Resolution on Proposing to Consider the Compliance Report of the Company for 2021 (《關於提請審議公司 2021 年度合規報告的議案》), the Resolution on Proposing to Consider the Risk Management Report of the Company for 2021 (《關於提請審議公司 2021 年度風險管理報告的議案》), the Resolution on Proposing to Consider the Group Companies' Risk Preference for 2022 (《關於提請審議 2022 年度集團公司風險偏好的議案》) and the Resolution on Proposing to Consider the Scale of Proprietary Trading Business of the Group Companies for 2022 (《關於提請審議 2022 年度集團公司自有資金業務規模的議案》) to the Board for consideration. | Major achievements of the Risk Control Committee in 2022: reviewing and proposing the Board to determine the risk preference of 2022; reviewing and proposing the Board to determine the scale for the Company's proprietary trading business; reviewing the Anti-money-laundering Report of the Company for 2021, the Assessment Report of Money Laundering and Terrorist Financing Risks of the Company (2022); reviewing regularly the compliance reports and risk management reports of the Company. |
| 24 August 2022 | The third meeting of the Risk Control Committee under the sixth session of the Board | Considered the submission of the Resolution on Proposing to Consider the Interim Risk Management Report of the Company for 2022 (《關於提請審議公司 2022 年中期風險管理報告的議案》) and the Resolution on Proposing to Consider the Interim Compliance Report of the Company for 2022 (《關於提請審議公司 2022 年中期合規報告的議案》) was agreed to be submitted to the Board for consideration. | |
| 13 December 2022 | The fourth meeting of the Risk Control Committee under the sixth session of the Board | Considered the Resolution on Proposing to Consider the Assessment Report of Money Laundering and Terrorist Financing Risks of Guotai Junan Securities Co., Ltd. (2022) (《關於提請審議〈國泰君安證券股份有限公司洗錢和恐怖融資風險評估報告(2022)〉的議案》). | |

Section IV Corporate Governance

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

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

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

| Name | Number of meeting to be attended | Number of meeting actually attended |
|--------------|---|--|
| LI Renjie | 3 | 3 |
| WANG Song | 3 | 3 |
| ZHONG Maojun | 3 | 2 |
| ZHANG Yipeng | 3 | 3 |
| BAI Wei | 3 | 3 |

(6). Details of any disagreements

Applicable Not applicable

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VIII. PERFORMANCE OF DUTIES BY THE SUPERVISORY COMMITTEE

Applicable Not applicable

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

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

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

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

1. The fourth meeting of the sixth session of the Supervisory Committee was held by the Company on-site on 30 March 2022, at which nine resolutions on the Work Report of the Supervisors for 2021 (《公司 2021 年度監事會工作報告》), the Profit Distribution Plan of the Company for 2021 (《公司 2021 年度利潤分配預案》), the Risk Management Report of the Company for 2021 (《公司 2021 年度風險管理報告》), the Compliance Report of the Company for 2021 (《公司 2021 年度合規報告》), the Anti-money Laundering Report of the Company for 2021 (《公司 2021 年度反洗錢工作報告》), the Report on the Special Audit of Anti-money Laundering of the Company for 2021 (《公司 2021 年度反洗錢專項審計報告》), the Internal Control Assessment Report of the Company for 2021 (including Compliance Management Effectiveness Evaluation Report) (《公司 2021 年度內部控制評價報告(含合規管理有效性評估報告)》), the Annual Report of the Company in 2021 (《公司 2021 年年度報告》) and the Social Responsibility Report of the Company for 2021 (《公司 2021 年度社會責任報告》) were considered and approved, and written review opinions on the Annual Report and the Profit Distribution Plan were given.
2. The fifth meeting of the sixth session of the Supervisory Committee was held on 29 April 2022 by means of considering in writing and voting through communications, at which the First Quarterly Report of the Company in 2022 (《公司 2022 年第一季度報告》) was reviewed and approved, and written review opinions on the report were given.
3. The Company held the sixth meeting of the sixth session of Supervisory Committee on site on 26 August 2022, at which the three resolutions regarding the 2022 Interim Report, the 2022 Interim Compliance Report, the 2022 Interim Risk Management Report were reviewed and approved, and written review opinions on the Interim Report were given.
4. The Company held the seventh meeting of the sixth session of Supervisory Committee on 28 October 2022 by means of considering in writing and voting through communications, at which the Third Quarterly Report of the Company in 2022 was reviewed and approved, and written review opinions on the report were given.

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5. The Company held the fourth extraordinary meeting of the sixth session of Supervisory Committee on 29 November 2022 by means of considering in writing and voting through communications, at which the Resolution on Proposing to Consider the Achievement of Releasing Selling Restrictions in the First Lock-up Period for the First Grant under the Restricted Share Incentive Plan of A Shares and Releasing Selling Restrictions (《關於公司 A 股限制性股票激勵計劃首次授予部分第一個限售期解除限售條件成就並解除限售的議案》) and the Resolution on Proposing to Consider Repurchase and Cancellation of Part of the Restricted A Shares (《關於回購註銷部分 A 股限制性股票的議案》) were reviewed and approved, and written review opinions were given. The Resolution on Proposing to Consider Repurchase and Cancellation of Part of the Restricted A Shares was submitted to the general meeting of the Company, the A Shares class meeting and the H Share class meeting for consideration.

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

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

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IX. INFORMATION OF EMPLOYEES OF PARENT COMPANY AND PRINCIPAL SUBSIDIARIES AT THE END OF THE REPORTING PERIOD

(I) Information of employees

| | |
|---|--------|
| Number of existing employees of parent company | 11,591 |
| Number of existing employees of major subsidiaries | 2,901 |
| Total number of existing employees | 14,492 |
| Number of disengaged and retired employees for whom the parent company and major subsidiaries shall be liable to expenses | |

Professions

| Type of professions | Number of individuals |
|----------------------------|-----------------------|
| Business personnel | 9,093 |
| Business support personnel | 4,701 |
| Management personnel | 698 |
| Total | 14,492 |

Educational background

| Level of education | Number of individuals |
|----------------------------|-----------------------|
| Doctors | 162 |
| Masters and postgraduates | 5,566 |
| Bachelors | 7,205 |
| Associate degree and below | 1,559 |
| Total | 14,492 |

(II) Remuneration policy

Applicable Not applicable

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

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(III) Training programs

Applicable Not applicable

The Company continued to build a multi-level talent training system, set up hierarchical and classified training programs for “business talents, management talents, international talents and post-doctoral top talents”, and continued to explore the establishment of a cross-department, cross-line, cross-professional talent exchange and career-covering talent training mechanism, and carried out a series of employee trainings through hierarchical and classification, enriched and optimized the growth path of employee training, and empowered various talent systems of the Company. In 2022, the Company launched offline and online training for employees with a total of 1,587,000 hours, including 1,328,000 hours of online training and 259,000 hours of offline face-to-face training. By the end of 2022, the Company has developed and introduced a total of 30,394 hours of online and offline courses.

(IV) Labour outsourcing

Applicable Not applicable

| | |
|---|--------------------------------|
| Total number of working hours of labour outsourcing | Standard working hour policies |
| Total compensation paid for labour outsourcing | RMB14,596,000 |

(V) Information of the brokers

As at the end of 2022, the Group had a total of 1,677 security brokers, representing a decrease of 233 compared with last year. Brokers sign entrustment contracts with the Group to accept the entrustment of the Group and engage in customer soliciting and customer services within the authorization of the Group. The Group conducts unified management over brokers and has established a complete system of rules, internal control system and system platform to standardize management over brokers. The Group has taken preventative measures beforehand, processes monitoring and posts reviews in respect of the conduction of business, by brokers. The Group has effectively controlled risks associated with brokers related business, by providing pre-job training and training for the conduction of business to reinforce the management over the practices of brokers, monitoring and tracking transactions of brokers clients via off-site monitoring platforms to identify risks on a timely basis, and conducting audits to standardize management over brokers and to effectively control brokers related business risks. In addition, the Group paid regular visits to the clients of the brokers to get feedbacks on practices and assure compliance in conducting business.

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

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

- Applicable Not applicable

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

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

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

As at the end of 2022, the Company’s distributable profit was RMB40,763,092,467. Pursuant to the requirements of the CSRC, the portion of the gains on fair value changes in the distributable profits shall not be used for cash distribution to shareholders. After deducting the impact of the net gains and losses on changes in fair value at the end of 2022 on the distributable profits of RMB2,305,402,431, the amount of cash dividends available for distribution to investors at the end of 2022 is RMB38,457,690,036.

The Company’s profit distribution proposal for 2022 is: based on the total share capital of the Company on the record date for dividend distribution, the Company will distribute to the holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date for the dividend distribution a cash dividend of RMB5.3 (tax inclusive) for every 10 Shares.

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As the A share convertible corporate bonds issued by the Company in July 2017 have entered into share conversion period from 8 January 2018, currently the Company is unable to determine in the total share capital of the Company as at the record date of dividend distribution for holders of A Shares. Based on the total share capital of the Company, being 8,906,672,636 Shares as at 31 December 2022, the total amount of cash dividends is RMB4,720,536,497, accounting for 41.02% of the consolidated net profit attributable to equity holders of the Company for 2022. The Company's profit distribution plan for 2022 has been approved at the eighth meeting of the sixth session of the Board, but is subject to the approval of the Shareholders at a general meeting of the Company.

After the Company's profit distribution plan for 2022 is considered and approved at the general meeting, cash dividends will be distributed within two months from the date of the annual general meeting.

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

(II) Special explanation on cash dividend policy

Applicable Not applicable

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

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

Applicable Not applicable

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(IV) Profit distribution and transfer of capital reserve fund into capital during the Reporting Period

Applicable Not applicable

Unit: yuan Currency: RMB

| | |
|--|----------------|
| Number of bonus shares for every 10 shares (share) | – |
| Amount of dividend for every 10 shares (RMB) (inclusive of tax) | 5.3 |
| Number of increased shares for every 10 shares (share) | – |
| Cash dividend amount (inclusive of tax) | 4,720,536,497 |
| Net profit attributable to equity holders of the Company in the annual consolidated statements of dividends | 11,507,150,262 |
| Percentage of net profit attributable to equity holders of the Company in the consolidated statements (%) | 41.02 |
| Amount included in cash dividends for repurchased shares in cash | – |
| Total dividend amount (inclusive of tax) | 4,720,536,497 |
| Percentage of total dividend amount to net profit attributable to equity holders of the Company in the consolidated statements (%) | 41.02 |

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

(I) The Restricted Share Incentive Scheme of A Shares

Purpose of the Scheme

In order to further enhance the corporate governance structure of the Company, realize the long-term incentives and constraints for the executive Directors, senior management and other core staff, fully activate their motivation and creativity, align their interests more closely with the long-term development of the Company, prevent loss of talents and realize sustainable corporate development, the Company has formulated the Restricted Share Incentive Scheme of A Shares (“the Incentive Scheme”) in accordance with the requirements of relevant laws, administrative regulations, regulatory documents and the Articles of Association.

Participants of the Scheme

The Incentive Participants in the First Grant of the Incentive Scheme are executive directors, senior management officers and other core staff of the Company, and the reserved Incentive Participants are senior management officers and other core staff of the Company.

The total number of shares that may be issued under the Scheme and their percentage of the issued shares as at the date of the annual report

The Incentive Scheme uses Restricted Shares as incentive tools, the source of underlying shares is the ordinary A Shares of the Company repurchased from the secondary market by the Company. On 17 July 2020, the Company completed the repurchase and actually repurchased 88,999,990 A Shares of the Company.

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On 17 September 2020, the Company granted 79,300,000 Restricted A Shares to the Incentive Participants (the “First Grant”). In the process of subscription upon the determination of the Grant Date of the First Grant, 79,000,000 Restricted Shares were actually subscribed by the Incentive Participants, as the Incentive Participants voluntarily gave up the subscription of part of the Restricted Shares granted for personal reason. The Restricted Shares not taken up have been reallocated to the Reserved Shares.

On 2 November 2020, the Company completed the registration for 79,000,000 Restricted A Shares of the First Grant under the Incentive Scheme with China Securities Depository and Clearing Corporation Limited, Shanghai Branch.

On 19 July 2021, the Company granted 9,999,990 Restricted A Shares reserved under the Incentive Scheme to the Incentive Participants (the “Reserved Grant”).

On 29 September 2021, the Company completed the registration of 9,999,990 Restricted A Shares of the Reserved Grant under the Incentive Scheme with China Securities Depository and Clearing Corporation Limited, Shanghai Branch.

Since the First Grant of the Restricted A Shares of the Company to 8 September 2021, as the Incentive Participants under the First Grant are no longer qualified as the Incentive Participants, a total of 1,778,000 Restricted A Shares granted to such Incentive Participants but not yet unlocked have been repurchased and cancelled by the Company on 27 January 2022 with the repurchase price at RMB7.08 per share and the repurchase amount of RMB12,588,240. Upon completion of the repurchase and cancellation of the Company, there are 87,221,990 Restricted A Shares remaining.

On 29 November 2022, the Company convened the twelfth extraordinary meeting of the sixth session of the Board and the fourth extraordinary meeting of the sixth session of the Supervisory Committee, at which the Resolution on Proposing to Consider the Achievement of Releasing Selling Restrictions in the First Lock-up Period for the First Grant under the Restricted Share Incentive Plan of A Shares and Releasing Selling Restrictions (《關於提請審議公司A股限制性股票激勵計劃首次授予部分第一個限售期解除限售條件成就並解除限售的議案》) was reviewed and approved, pursuant to which releasing selling restrictions the first lock-up period for the first grant under the restricted share incentive plan of A shares of the Company has been achieved, the Company completed the relevant procedures for the releasing selling restrictions for the 24,900,183 Restricted Shares held by 420 Incentive Participants in total in accordance with relevant regulations, and the above shares have been released selling restrictions and traded on 21 December 2022. As at the end of the Reporting Period, a total of 62,321,807 shares remain unlocked, of which there are 52,321,817 shares under the First Grant and 9,999,990 shares under the Reserved Grant.

On 20 March 2023, the Company held the 2023 first extraordinary general meeting, the 2023 first A Shareholders’ class meeting and the 2023 first H Shareholders’ class meeting, at which the Resolution on Proposing to Consider Repurchase and Cancellation of Certain Restricted A Shares (《關於提請審議回購註銷部分A股限制性股票的議案》) was considered and approved. Since 19 of the 487 Incentive Participants under the Restricted Share Incentive Scheme of A Shares of the Company have terminated their labor contracts or not fully met the performance appraisals, the Company proposes to repurchase and cancel all or part of the Restricted Shares granted to such Incentive Participants, totalling 2,156,747 shares, of which 1,714,037 shares of the First Grant are repurchased at RMB6.40 per share and 442,710 shares of the Reserved Grant are repurchased at RMB7.27 per share with the repurchase amount of RMB14,188,338.50. Upon completion of the repurchase and cancellation, there are 60,165,060 restricted A shares remaining.

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As at the date of this report, the total number of shares granted under the Incentive Scheme is 88,999,990 shares, representing approximately 1.00% of the issued shares of the Company.

The maximum entitlement of each participant under the Scheme

The total number of shares to be granted to any single Incentive Participant of the Incentive Scheme under all the fully effective share incentive schemes of the Company within the effective period shall not exceed 1% of the total share capital of the Company.

The period during which the grantee may exercise the option under the Scheme

Not applicable

Vesting period of awards granted under the Scheme

- A** *The lock-up periods of the Restricted Shares granted under the Incentive Scheme are 24 months, 36 months and 48 months, respectively, from the date of completion of equity registration of the corresponding portions granted.*

Time schedule for unlocking of the First Grant:

| Unlocking Batches | Time Schedule for Unlocking | Unlocking Ratio |
|--|--|------------------------|
| First batch of the Restricted Shares to be unlocked | Commencing from the first trading day upon the expiry of 24 months from the date of completion of registration for the Grant of the corresponding portion of the Restricted Shares to the last trading day upon the expiry of 36 months from the date of completion of registration for the Grant of the Restricted Shares | 33% |
| Second batch of the Restricted Shares to be unlocked | Commencing from the first trading day upon the expiry of 36 months from the date of completion of registration for the Grant of the corresponding portion of the Restricted Shares to the last trading day upon the expiry of 48 months from the date of completion of registration for the Grant of the Restricted Shares | 33% |

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| Unlocking Batches | Time Schedule for Unlocking | Unlocking Ratio |
|---|--|-----------------|
| Third batch of the Restricted Shares to be unlocked | Commencing from the first trading day upon the expiry of 48 months from the date of completion of registration for the Grant of the corresponding portion of the Restricted Shares to the last trading day upon the expiry of 60 months from the date of completion of registration for the Grant of the Restricted Shares | 34% |

Time schedule for unlocking of the Reserved Grant:

| Unlocking Batches | Time Schedule for Unlocking | Unlocking Ratio |
|--|--|-----------------|
| First batch of the Restricted Shares to be unlocked | Commencing from the first trading day upon the expiry of 24 months from the date of completion of registration for the Grant of the corresponding portion of the Restricted Shares to the last trading day upon the expiry of 36 months from the date of completion of registration for the Grant of the Restricted Shares | 33% |
| Second batch of the Restricted Shares to be unlocked | Commencing from the first trading day upon the expiry of 36 months from the date of completion of registration for the Grant of the corresponding portion of the Restricted Shares to the last trading day upon the expiry of 48 months from the date of completion of registration for the Grant of the Restricted Shares | 33% |
| Third batch of the Restricted Shares to be unlocked | Commencing from the first trading day upon the expiry of 48 months from the date of completion of registration for the Grant of the corresponding portion of the Restricted Shares to the last trading day upon the expiry of 60 months from the date of completion of registration for the Grant of the Restricted Shares | 34% |

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The Restricted Shares held by the Incentive Participants who have not fulfilled the conditions for unlocking, unless otherwise provided under the Incentive Scheme, shall be repurchased by the Company at the Grant Price.

B The Conditions of Operation Results for Unlocking the Restricted Shares

The Scheme will conduct annual appraisal on the performance indicators of the Company, the performance indicators of the unit (department) and the performance indicators of the individuals during the three accounting years of 2021-2023, achievement of the appraisal target will be used as the unlocking condition of current year for Incentive Participants.

Number of the Restricted Shares to be unlocked in current year by individual = total amount granted to individual × percentage to be unlocked in current year × company performance coefficient × individual performance coefficient.

1. The conditions of operation results at the company level

The Company has chosen net profit attributable to parent company, weighted average return on net assets, investment in financial technology innovation, and comprehensive risk control indicator as the company results appraisal indicators, of which, the comprehensive risk control indicator will be used as the threshold indicator. If such indicator of the Company has not reached the threshold value, the corresponding batch of the Restricted Shares shall not be unlocked.

Subject to fulfillment of the comprehensive risk control indicator, the company performance coefficient corresponding to the appraisal result at the company level is as follows:

Company performance coefficient = score of net profit attributable to parent company × appraisal weight of net profit attributable to parent company + score of weighted average return on net assets × appraisal weight of weighted average return on net assets + score of investment in financial technology innovation × appraisal weight of investment in financial technology innovation.

In this formula, the appraisal weight of net profit attributable to parent company is 50%, the appraisal weight of weighted average return on net assets is 40%, and the appraisal weight of investment in financial technology innovation is 10%.

If the appraisal indicator has achieved its target, the score of that indicator is 1, otherwise the score is 0.

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The targets of appraisal indicators at company level are as follows:

| Appraisal Indicators | Conditions for Unlocking | | |
|---|--|--|--|
| | First Batch | Second Batch | Third Batch |
| Net profit attributable to parent company | Not lower than No. 4 in the ranking of comparable companies in 2021 | Not lower than No. 3 in the ranking of comparable companies in 2022 | Not lower than No. 3 in the ranking of comparable companies in 2023 |
| Weighted average return on net assets | Rise by one place among comparable companies in 2021 as compared to the ranking in 2019 | Rise by two places among comparable companies in 2022 as compared to the ranking in 2019 | Rise by two places among comparable companies in 2023 as compared to the ranking in 2019 |
| Investment in financial technology innovation | Not less than 6.05% for 2021 | Not less than 6.10% for 2022 | Not less than 6.15% for 2023 |
| Comprehensive risk control indicator | Threshold value: the rating result of securities companies is Class A Grade A or above and there is no occurrence of material non-compliance with laws and regulations | | |

The Company has selected CITIC Securities, Haitong Securities, HTSC, GF Securities, Shenwan Hongyuan and China Merchants Securities as comparable companies in the capital market service industry under the financial sector in the categorization of industries by CSRC for A Shares Companies.

2. Performance conditions at the individual level of Incentive Participants

When the Incentive Participants are appraised on individual performance of the previous year according to the relevant measures for performance appraisal of the Company, the number of Restricted Shares which may be unlocked by the Incentive Participants is linked to the appraisal results of their performance in the previous year.

The relationship between the performance score and the individual performance coefficient of executive directors and senior management officers is as follows:

| Individual Performance Appraisal Score (N) | Individual Performance Coefficient |
|--|------------------------------------|
| $N \geq 95$ | 100% |
| $90 \leq N < 95$ | 95% |
| $80 \leq N < 90$ | 90% |
| $60 \leq N < 80$ | 75% |
| $N < 60$ | 0% |

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Individual performance coefficient of other Incentive Participants is linked to the performance of the units (departments) in which they work and their individual performance, the calculation method is as follows:

Individual performance coefficient=Performance score of unit (department) × Individual performance score

| Unit (Department) /Individual Performance Grade | Unit (Department) /Individual Performance Score |
|--|--|
| Excellence/Good/Above Average | 100% |
| Pass | 90% |
| Failed | 0% |

The payables for applying for or accepting the option or award, if any, and the period of payment or notice of payment or the period of repayment of the option loan applied for

No

Basis of determination of the purchase price of the shares granted

The grant price of restricted A shares of the First Grant shall not be lower than the higher of the following prices:

- (1) 50% of the average trading price of the Company's A shares on the trading day prior to the announcement of the Incentive Scheme;
- (2) 50% of one of the average trading prices of the Company's A Shares for 20 trading days, 60 trading days or 120 trading days prior to the announcement of the Incentive Scheme.

The grant price of the reserved A Shares shall not be lower than the higher of the following prices:

- (1) 50% of the average trading price of the Company's A Shares on the last trading day preceding the date of the announcement of the Board meeting on the grant of reserved Restricted Shares;
- (2) 50% of one of the average trading prices of the Company's A Shares for the last 20 trading days, 60 trading days or 120 trading days preceding the date of the announcement of the Board meeting on the grant of reserved Restricted Shares;

During the period from the date of the announcement of the Incentive Scheme (i.e. 7 June 2020) to the completion of registration of the Restricted Shares by the Incentive Participants, the Company was engaged in conversion of capital reserves, distribution of scrip dividends and share subdivision, share reduction, share allotment, dividend distribution. The Company adjusted the price of the Restricted Shares accordingly.

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Remaining validity period of the Scheme

The validity period of the Incentive Scheme shall commence from the date of completion of registration for the First Grant of the Restricted Shares and ends on the date when all the Restricted Shares granted to the Incentive Participants are fully unlocked or repurchased and deregistered, for a maximum of six years, valid until 1 November 2026.

For the year ended 31 December 2022, the changes in the shares under the Incentive Scheme were as follows:

| Name of participants | At | Granted during the year | Cancelled during the year | Lapsed during the year | Number of unlocking Shares for the year (Note 3) | At | Date of grant (Note 2) | Subscription price |
|--|-------------------|-------------------------|---------------------------|------------------------|--|-------------------|------------------------|--------------------|
| | 1 January 2022 | | | | | 31 December 2022 | | |
| Directors: | | | | | | | | |
| Wang Song | 722,000 | - | - | - | 238,260 | 483,740 | 17 September 2020 | RMB7.64 per share |
| Yu Jian | 595,000 | - | - | - | 196,350 | 398,650 | 17 September 2020 | RMB7.64 per share |
| Subtotal | 1,317,000 | | | | 434,610 | 882,390 | | |
| Employees: | | | | | | | | |
| First grant to the five highest paid individuals (in aggregate) | 630,000 | - | - | - | 207,900 | 422,100 | 17 September 2020 | RMB7.64 per share |
| Reserved grant to the five highest paid individuals (in aggregate) | 316,221 | - | - | - | - | 316,221 | 19 July 2021 | RMB7.95 per share |
| Subtotal | 946,221 | | | | 207,900 | 738,321 | | |
| First grant to employees | 77,053,000 | - | 1,778,000 | - | 24,257,673 | 51,017,327 | 17 September 2020 | RMB7.64 per share |
| Reserved grant to employees | 9,683,769 | - | - | - | - | 9,683,769 | 19 July 2021 | RMB7.95 per share |
| Subtotal | 86,736,769 | | 1,778,000 | | 24,257,673 | 60,701,096 | | |
| Total | 88,999,990 | | 1,778,000 | | 24,900,183 | 62,321,807 | | |

Note 1 There were neither directors nor supervisors of the Group among the five highest paid employees.

Note 2 For the Restricted Shares of First Grant on 17 September 2020 and completion of registration on 2 November 2020, the time schedule for the First batch of the Restricted Shares to be unlocked (33%), Second batch of the Restricted Shares to be unlocked (33%) and Third batch of the Restricted Shares to be unlocked (34%) will be from 2 November 2022 to 1 November 2023, 2 November 2023 to 1 November 2024 and 2 November 2024 to 1 November 2025, respectively.

For the Restricted Shares of Reserved Grant on 19 July 2021 and completion of registration on 29 September 2021, the time schedule for the First batch of the Restricted Shares to be unlocked (33%), Second batch of the Restricted Shares to be unlocked (33%) and Third batch of the Restricted Shares to be unlocked (34%) will be from 29 September 2023 to 28 September 2024, 29 September 2024 to 28 September 2025 and 29 September 2025 to 28 September 2026, respectively.

Note 3 The shares have been unlocked on 21 December 2022, and the average closing price of the shares of the Company on the previous trading date was RMB13.71/share.

The Company granted 88,999,990 Shares in aggregate under the Incentive Scheme. At the beginning and end of the year, no other Shares could be granted under the Incentive Scheme

Section IV Corporate Governance

(II) Share awards granted to the Directors, senior management of the Company during the Reporting Period

Applicable Not applicable

(III) The Establishment and Implementation of Appraisal And Incentives System to the Senior Management Members During the Reporting Period

Applicable Not applicable

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

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

During the Reporting Period, the Company's releasing selling restrictions in the first lock-up period for the first grant under the restricted share incentive plan of A Shares have been achieved, according to the Restricted Share Incentive Scheme of A Shares, the Company released the shares of the senior management based on the achievement of the performance conditions for releasing the selling restrictions at the corporate level and the individual level, and closely linked the medium and long term incentive of the senior management with the Company's strategy and shareholder returns, to promote the high-quality development of the Company.

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

Applicable Not applicable

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

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During the Reporting Period, the Company continued to improve the construction of internal control system, optimize the organizational structure and supporting operation and management mechanism; formulated or revised the Administrative Measures on Front-line Compliance and Risk Control of Branches (《分支機構一線合規與風控管理辦法》), the Administrative Measures on the Investment Behavior of Practitioners (《從業人員投資行為管理辦法》), the Provisions on Integrity Practice (《廉潔從業規定》), the Administrative Measures on Abnormal Trading Behaviors of Customers of Stock Exchanges (《證券交易所客戶異常交易行為管理辦法》), the Administrative Measures on Ethical Wall (《信息隔離牆管理辦法》) and other important compliance management systems; formulated the risk management and control plan of the Company's key businesses and major projects of subsidiaries, highlighting the specialization of audit work, improving compliance risk management and control in key areas; sorted out and optimized the list of front-line compliance and risk control responsibilities, and strengthened the three lines of defense; optimized the classification and grading review mechanism to form a relatively complete accountability system of the Company; improved the risk management and control mechanism of investment banking business, and strengthened the investigation of risks in the life of investment banking business; improved the management level by digital means, so that the internal control system of the Company operated well in general. The Company conducted self-assessment on the effectiveness of internal control as at 31 December 2022. Please refer to the 2022 Internal Control Assessment Report of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司 2022 年度內部控制評價報告》) disclosed at the website of SSE by the Company for details.

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

Applicable Not applicable

XIII.MANAGEMENT AND CONTROL OF SUBSIDIARIES DURING THE REPORTING PERIOD

Applicable Not applicable

The Company regards “professional management, coordinated development, intensive operation, categorized management, efficient service and effective management and control (專業經營、協同發展、集約運營、分類管理、高效服務、有效管控)” as the basic objectives and principles of management of the subsidiaries, and has established a series of special systems, such as the “Subsidiary Management Measures (《子公司管理辦法》)”, “Subsidiary Compliance and Risk Management Measures (《子公司合規與風險管理辦法》)” and the “Subsidiary Financial Management Measures (《子公司財務管理辦法》)”, which systematically improve the management and control of subsidiaries from comprehensive management, vertical management, intensive management and control, and unified management on a multidimension basis. After HuaAn Fund became the Company's holding subsidiary, the Company incorporated HuaAn Fund into the holding subsidiary for management, insisted on compliance with laws and regulations, strictly followed the requirements of legal person governance, and maintained the independence of HuaAn Fund as a public offering fund company. At the same time, the Company is promoting comprehensive digital transformation of the Group, and will effectively strengthen the management and control of subsidiaries through digital means to promote business development of subsidiaries.

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XIV. MATTERS RELATING TO THE AUDIT REPORT ON INTERNAL CONTROL

Applicable Not applicable

The Company has appointed KPMG Huazhen LLP as the internal control auditor. KPMG Huazhen LLP has issued the 2022 Internal Control Audit Report of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司 2022 年度內部控制審計報告》), and considered that the Company has maintained an effective financial reporting internal control in all material aspects according to the Basic Norms for Enterprise Internal Control (《企業內部控制基本規範》) and relevant regulations on 31 December 2022, which is consistent with the self-assessment conclusion of internal control of the Company. Please refer to the 2022 Internal Control Audit Report of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司 2022 年度內部控制審計報告》) disclosed at the website of SSE (<http://www.sse.com.cn/>) by the Company for details of internal control audit report.

Whether to disclose internal control audit report: Yes

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

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

In accordance with the requirements of the CSRC, the Company organized and conducted a self-examination of the special action on corporate governance of listed companies in 2021. After such self-examination, the Company has established a relatively complete and reasonable corporate governance structure and internal control system in accordance with the Company Law, the Code of Corporate Governance for Listed Companies, the Rules for Governance of Securities Companies, the SSE Listing Rules and the Hong Kong Listing Rules and relevant laws, regulations and rules. The matters identified through self-examination, such as the postponement of the re-election of the Board of Directors and the Board of Supervisors, have been rectified in 2021. The Company will further improve corporate governance in accordance with the provisions of laws and regulations and continuously improve the quality of listed companies.

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

(I) Development of compliance management system

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

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In 2022, the Company continued to strengthen the construction of rules and regulations, actively promoted the implementation of new regulatory regulations and revised important compliance management systems. The Company strengthened legal compliance support for innovative businesses, optimized the review mechanism, continuously tracked and evaluated innovative businesses that have been implemented, strengthened the construction of a group compliance management system, improved the management mechanism, urged and guided subsidiaries to improve their compliance management systems, continuously improved the application of financial technology in compliance management, comprehensively upgrade the legal compliance platform, promoted the implementation of money laundering risk management, and strictly implementing anti-money laundering law enforcement inspection and rectification, strengthened the construction of compliance culture, carried out publicity and training in multiple ways and promoted the construction of a clean culture, continuously improved the Company's legal construction and created a good atmosphere of the rule of law. The daily work of various compliance management was carried out in a stable and orderly manner.

(II) Compliance inspections

In 2022, insisting to be problem-oriented and risk-oriented and focusing on key links or developments of various business, the Company has conducted a total of 36 compliance inspections, organized several key special self-inspections and self-rectifications, proposed rectification suggestions and strictly procured rectification of the problems and potential defects identified during such inspections.

(III) Audit work conducted

2022 was the crucial year for the reform and transformation of the group audit center. In order to strengthen the Party's overall leadership over the internal audit, the Company established the Audit Committee of the Party Committee, which is responsible for the top-level design, overall coordination and supervision of the Company's major audit. With the strong support of the Party Committee of the Company, the group audit center optimized and adjusted the organizational structure of the department based on the business characteristics and audit practice and the idea of building a "strong" foreground, an "excellent" middle-ground and a "refined" background, and a new off-site analysis and tracking team was established to be responsible for digital audit, and to promote the transformation of audit work from "project-driven" to "platform-driven" and "process-driven".

During the Reporting Period, the group audit center adhered to the risk-oriented approach, focused on key areas and key processes, broadened the scope and depth of audit, optimized the allocation of audit resources, further improved the audit workflow and operating standards and strengthened the closed loop management of audit rectification, implemented audit work within the Group in a unified and efficient manner. During the Reporting Period, the group audit center completed a total of 262 audit projects, including 57 headquarters and subsidiary projects and 205 branch projects, fully covering wealth management business, investment banking business, asset management business, equity investment business, asset custody business, credit business, international business, as well as financial management, compliance management, internal control management, information technology management, related transactions, anti-money laundering and other aspects.

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

Section IV Corporate Governance

XVII. OTHERS

Applicable Not applicable

(I) Rights of Shareholders

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

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

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

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(II) Amendments to the Articles of Association

The Company held the 2022 first extraordinary general meeting on 8 July 2022, at which the Resolution on Proposing to Consider the Amendments to the Articles of Association (《關於提請審議修訂公司章程的議案》) was reviewed and approved. The amendments to the Articles of Association shall take effect from 8 July 2022. Please refer to the information of the general meeting of the Company disclosed on 18 June 2022 for details of the amendments.

The Company completed the registration of the industrial and commercial change of its registered capital on 29 July 2022 and the Articles of Association was amended accordingly.

The Company held the 2023 first extraordinary general meeting on 20 March 2023, at which the Resolution on Proposing to Consider the Amendments to the Articles of Association (《關於提請審議修訂公司章程的議案》) was reviewed and approved. The amendments to the Articles of Association shall take effect from 20 March 2023. Please refer to the information of the general meeting of the Company disclosed on 1 March 2023 for details of the amendments.

(III) Investor relations

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

During the Reporting Period, the Company made corresponding amendments to the Investor Relations Management System (《投資者關係管理制度》) and the Information Disclosure Management System (《信息披露事務管理制度》) in accordance with the Guidelines for the Management of Investor Relations of Listed Companies (《上市公司投資者關係管理工作指引》) by the CSRC and other laws and regulations. The Company held two analyst conference calls and one investor open day event, involving a total of 196 analysts and investors from domestic and foreign institutions; participated in 17 institutional strategy meetings involving a total of 249 individuals; conducted 3 online briefings on the results and answered 24 questions from investors; answered 653 investor hotlines, replied on SSE e-interview 167 times.

Section IV Corporate Governance

The communication between the Company and investors in 2022

| Date of reception | Place of reception | Way of reception | Guests | Major topics discussed and information provided |
|--------------------------|-----------------------------------|-------------------------|---|---|
| 18 February 2022 | The Ritz-Carlton Shanghai, Pudong | On-site communication | Investors invited to the 2022 Annual Strategy Conference of Soochow Securities | Operation and development of the Company's wealth management, institutional and trading |
| 18 February 2022 | - | Telephone communication | Investors invited to the Spring Listed Companies Online Gathering of CSC Financial | Operation and development of the Company's wealth management, institutional and trading, investment management and international segment |
| 22 February 2022 | - | Telephone communication | Investors invited to the Spring Online Strategy Conference of Huatai Securities | Operation and development of the Company's wealth management, investment banking, institutional and trading |
| 31 March 2022 | - | Telephone communication | Analysts and investors invited to the Company's 2021 Annual Analyst Communication Conference | Operation and development of the Company's strategies and wealth management, investment banking, institutional and trading, investment management |
| 1 April 2022 | - | Online communication | Investors participated in the Company's 2021 Annual Results Briefing | Operation and development of the Company's strategies and wealth management |
| 13 April 2022 | - | Telephone communication | Investors invited to the Company's Spring Online Strategy Conference | Operation and development of the Company's strategies and wealth management, institutional and trading, investment management |
| 11 May 2022 | - | Telephone communication | Investors invited to the 2022 Mid-term Online Strategy Conference of Huachuang Securities | Operation and development of the Company's strategies and wealth management, institutional and trading, investment management |
| 12 May 2022 | - | Online communication | Investors invited to the 2022 Asia-pacific Financial Real Estate Annual Conference of Bank of America | Operation and development of the Company's wealth management, investment banking, institutional and trading, and investment management |

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| Date of reception | Place of reception | Way of reception | Guests | Major topics discussed and information provided |
|--------------------------|---------------------------|-------------------------|---|---|
| 12 May 2022 | – | Telephone communication | Investors invited to the 2022 “Dialogue with the Master” High-End Forum of GF Securities | Operation and development of the Company’s strategies and wealth management, investment banking, institutional and trading |
| 2 June 2022 | – | Telephone communication | Investors invited to the 2022 Summer Strategy Conference of Shenwan Hongyuan | Operation and development of the Company’s wealth management, investment banking, institutional and trading |
| 16 June 2022 | – | Telephone communication | Investors invited to the Company’s 2022 Summer Strategy Conference | Operation and development of the Company’s strategies and investment banking, investment management and international segment |
| 21 June 2022 | – | Telephone communication | Investors invited to the 2022 Mid-term Strategy Conference of Everbright Securities | Operation and development of the Company’s strategies and institutional and trading, international segment |
| 22 June 2022 | – | Telephone communication | Investors invited to the 2022 Mid-term Strategy Conference of BOCI China | Operation and development of the Company’s wealth management, investment banking, institutional and trading and investment management |
| 29 August 2022 | – | Telephone communication | Analysts and investors invited to the Company’s 2022 Semi-annual Analyst Communication Conference | Operation and development of the Company’s strategies and wealth management, investment banking, institutional and trading, investment management and international segment |
| 29 August 2022 | – | Online communication | Investors participated in the Company’s 2022 Semi-annual Results Briefing | Operation and development of the Company’s strategies and wealth management, investment banking, institutional and trading, investment management and international segment |
| 1 November 2022 | – | Online communication | Investors invited to the Bank of America 2022 China Conference | Operation and development of the Company’s wealth management, investment banking, institutional and trading and investment management |

Section IV Corporate Governance

| Date of reception | Place of reception | Way of reception | Guests | Major topics discussed and information provided |
|--------------------------|----------------------------------|-------------------------|--|--|
| 3 November 2022 | Pudong Shangri-La Hotel Shanghai | On-site communication | Investors invited to the 2022 Autumn Strategy Conference of Huatai Securities | Operation and development of the Company's strategies and wealth management, investment banking, institutional and trading |
| 8 November 2022 | - | Online communication | Investors participated in the Company's 2022 Third Quarter Results Briefing | Operation and development of the Company's strategies |
| 9 November 2022 | - | Telephone communication | Investors invited to the 2022 Autumn Strategy Conference of Shenwan Hongyuan | Operation and development of the Company's strategies and wealth management, investment banking, institutional and trading |
| 17 November 2022 | Conference room of the Company | On-site communication | Investors invited to the 2022 Investor Open Day | Operation and development of the Company's strategies and wealth management, investment banking, institutional and trading and investment management |
| 9 December 2022 | - | Online communication | Investors invited to the "2023 Hong Kong Stock Investment Strategy Outlook" online forum of Zhongtai International | Operation and development of the Company's strategies and wealth management, institutional and trading |
| 23 December 2022 | - | Telephone communication | Investors invited to the Annual Strategy Conference of BOCI China | Operation and development of the Company's strategies and wealth management, investment banking, institutional and trading |
| 28 December 2022 | - | Telephone communication | Investors invited to the 2023 Capital Markets Summit of CSC | Operation and development of the Company's Strategies, investment banking, investment management and international segment |

Section IV Corporate Governance

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

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

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

The Board acknowledges its responsibility for preparing the report of the Group for the year ended 31 December 2022.

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

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

(VI) Duty of the management

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

Section IV Corporate Governance

(VII) Company secretary

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

(VIII) Compliance with relevant laws and regulations

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

(IX) Administration of insider registration

In accordance with the Securities Law (《證券法》), the Guidelines for the Supervision and Administration of Listed Companies No. 5 – Measures on Registration of Insiders of Listed Companies’ Inside Information (《上市公司監管指引第 5 號--上市公司內幕信息知情人登記管理制度》) issued by the CSRC and the Guidelines of Shanghai Stock Exchange No. 2 for the Application of Self-Regulation Rules for Listed Companies – Information Disclosure Management (《上海證券交易所上市公司自律監管指引第 2 號 – 信息披露事務管理》) issued by the Shanghai Stock Exchange and other relevant laws and regulations, Guotai Junan has made corresponding amendments to the Registration Management System for Insiders of Inside Information (《內幕消息知情人登記管理制度》). The Company strictly implemented the Registration Management System for Insiders of Inside Information and did a good job in the registration and filing of insiders in accordance with the requirements of such system. There was no abnormal fluctuation of the Company’s stock price due to the leakage of inside information. The Registration Management System for Insiders of Inside Information regulated the confidentiality and registration of inside information and strengthened the confidentiality of inside information and the management of insiders; the Management System for Information Disclosure (《信息披露事務管理制度》) and the Management System for Investor Relations (《投資者關係管理制度》) maintained the principle of fairness for information disclosure; this mechanism covers all key control processes such as the generation, collection, transmission, review, confidentiality and fair disclosure of inside information and ensures the implementation of various systems by strengthening system training, standardizing work requirements, improving accountability and strengthening awareness of information disclosure.

Section V Environment and Social Responsibility

I. ENVIRONMENTAL INFORMATION

| | |
|--|-----|
| Whether to establish an environmental protection related mechanism | Yes |
| Investment in environmental protection during the Reporting Period (unit: ten thousand yuan) | 39 |

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

Applicable Not applicable

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

Applicable Not applicable

1. Administrative penalties due to environmental protection issues

Applicable Not applicable

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

Applicable Not applicable

The Company is a financial company, which is not on the lists of critical pollutant dischargers and their major subsidiaries published by environmental protection authorities. The Company entrusts qualified third-party organizations to conduct inspections for the wastewater, exhaust gases and noises of the headquarters office. All inspections are in line with the national standards.

3. Reasons for not disclosing other environmental protection information

Applicable Not applicable

Section V Environment and Social Responsibility

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

Applicable Not applicable

As a large state-owned financial institution, the Company resolutely implements the strategic decision and deployment of the CPC Central Committee and the State Council on peak carbon dioxide emissions and carbon neutrality, actively contributes to the dual-carbon target and copes with the challenges of climate change. The Company gives full play to its advantage of full securities licenses and continuously improves its green and low-carbon financial services capability; implements the concept of green development and comprehensively accelerates the transformation towards green development; strives to become a corporate citizen model for sustainable high-quality development, and contributes financial strength to serve the construction of Shanghai to be an international carbon financial center and achieves the national strategic goal of “peak carbon dioxide emissions and carbon neutrality (碳達峰、碳中和)”.

1. Effectively implement the Company’s “dual-carbon” action plan

The Company attaches great importance to the “dual-carbon” action. In 2014, spearheaded the establishment of an off-market carbon finance business team in the securities industry. After the national “dual-carbon” target was proposed, the Company took the lead in responding. In May 2021, the Company formulated and issued “Action Plan for Implementing Peak Carbon Dioxide Emissions and Carbon Neutrality of Guotai Junan (《國泰君安踐行碳達峰與碳中和的行動方案》)”, and decided to rename the Strategy Committee under the Board to the Strategy and ESG Committee under the Board in November 2021, and is responsible for coordinating and promoting the Company’s “dual-carbon” work. In March 2022, in order to further implement the “Action Plan for Implementing Peak Carbon Dioxide Emissions and Carbon Neutrality of Guotai Junan (《國泰君安踐行碳達峰與碳中和的行動方案》)”, the Strategy and ESG Committee under the Board of the Company established and improved the ESG work organization system, formulated the ESG annual work plan, and effectively integrated the ESG governance into the strategy implementation and daily management of the Company, promoted the continuous development and expansion of carbon finance and green investment and financing businesses, and in-depth implementation of green and low-carbon operations.

Section V Environment and Social Responsibility

2. Provide leading integrated carbon financial services

The Company has actively practiced the concept of green and low-carbon development. It was among the first batch of companies to obtain the carbon trading license by the CSRC in 2015, and the first domestic securities companies in China for the admission to the International Emission Trading Association (IETA) in 2016. It has successively established registration and settlement relationships with pilot carbon emission exchanges including Shanghai Environment and Energy Exchange to ensure the smooth development of carbon emission trading business. The Company completed various businesses such as the first CCER (Chinese Certified Emission Reduction) development transaction by a securities company and the first carbon allowance forward transaction in Shanghai. The Group was awarded as an outstanding member and outstanding investment institution piloted by the carbon emissions exchanges for many consecutive years, with transaction scale ranked top in several carbon emission trading pilot regions, with a cumulative trading volume of 41 million tons in the carbon trading market since 2020, accounting for approximately 9% of the market share. As an important participant in the domestic carbon trading market and an influential pricing trading institution, the Company has provided leading carbon finance services for many leading enterprise groups in respect of green emission reduction, and extensively cooperated with electric power, forestry, new energy, smart travel and other important groups and governmental authorities, the development of carbon emission trading projects covers various types of renewable energy, methane utilization, forest carbon sequestration and carbon inclusiveness. Through collaborative development at home and abroad, the Company has met the trading conditions of multiple international and domestic exchanges, and can provide enterprises and traders in the industrial chain at home and abroad with multi-dimensional and diversified services including carbon asset spot and derivatives trading, emission reduction purchase trading, carbon repurchase trading, carbon offset and neutralization and related carbon financial investment products.

In 2022, the FICC carbon finance business of the Company continued to develop, with an annual aggregated trading volume of 5.5 million tons, exploring the participation in the national carbon market CEA (carbon emission allowance) trading model, landed the first overseas emission reduction VCS (Verified Carbon Standard administrated by Verra, the world's largest voluntary carbon offset registration institution) transaction, participated in the first batch of transactions on the Hong Kong International Carbon Market Core Climate Trading Platform of the Hong Kong Stock Exchange and was invited to participate in the Hong Kong International Carbon Market Advisory Committee. The Company vigorously promoted the innovation of customer-to-customer model, and implemented the first carbon allowance repurchase business in the pilot market recommended by branches, the first carbon right pledge financing business based on CCER purchase commitment in the market, and the first SHEA (Shanghai Carbon Emission Allowance) off-market options business in the industry, contracted a batch of ERPA (Emission Reduction Purchase Agreement) business for afforestation CCER, etc. Proprietary trading of the Company's carbon finance business closely focuses on the core functions of carbon asset trading and gave full play to the synergies of the parent company, Hong Kong subsidiaries and European subsidiaries at home and abroad, and accelerated the establishment of integrated carbon finance services ecosystem with complete functional coverage.

Section V Environment and Social Responsibility

3. Provide full-chain green investment and financing services

As one of the largest comprehensive securities companies in China, the Company is deeply engaged in the green and low-carbon industries, providing full-chain green investment and financing services.

In terms of green financing, the Company has set up a professional investment banking department focusing on green industries, deeply cultivated the upstream and downstream enterprises in the green industry chain, intensified the innovation of green financing products, provided green equity collateral financing services, and provided a fast review channel for carbon neutral projects and the Company is always at the forefront of the industry in terms of the size and number of green securities underwriters. In 2022, the Company underwrote 70 green bonds with a total issuance scale of RMB101.1 billion, of which 22 carbon neutrality bonds were underwritten with a total issuance scale of RMB16 billion. During the Reporting Period, the Company issued the first batch of blue bonds in the SZSE market, the first dual-label ABS (asset-backed securities) of “green + rural revitalization” in China, the first “carbon neutral + rural revitalization” corporate bonds of AAA entities in China, and the first 5-year listed company carbon-neutral corporate bond in China, the first “carbon-neutral” hotel CMBS (commercial real estate mortgage-backed securities) in China, etc.

In terms of green investment, the Company initiated or participated in industrial funds such as green funds, demonstration transformation and upgrade development funds with key regional governments, leading industrial enterprises and long-term institutional investors, and focused on investing in strategic emerging industries such as environmental protection and new energy, participated in projects in the fields of photovoltaic power generation, sewage treatment, waste gas treatment, clean energy and smart travel through domestic and overseas private equity investments and strategic placements. At the same time, the Company strengthened the creation, introduction and sales of investment management products such as ESG and carbon neutral public funds, continued to improve the ESG investment and research system, established and improved ESG investment policies, systems, procedures and methods, and fully implemented the ESG investment philosophy.

4. Carry out green and low-carbon operations

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

Section V Environment and Social Responsibility

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

| | |
|---|--|
| Whether carbon reduction measures have been taken | Yes |
| Reduction of CO ₂ e emission (unit: ton) | 570 |
| Types of carbon reduction measures | Actively save energy and reduce emissions through measures such as the implementation of digital office, construction of green data centers and promotion of green office and environmental protection philosophies, so as to reduce the impact of its own operations on the environment |

Description

Applicable Not applicable

The headquarter, branches, sales offices and subsidiaries of the Company actively implement the philosophy of “intensification, cost reduction, quality improvement and efficiency enhancement”, and actively save energy and reduce emissions through measures such as the implementation of digital office, construction of green data centers and promotion of green office and concept of environmental protection, so as to reduce the impact of its own operations on the environment. In 2022, the headquarter, branches, sales offices and subsidiaries of the Company adopted the green and low-carbon measures, saving approximately 10,300,000 sheets of paper, approximately 100,000 kWh of electricity and approximately 750 tons of water resource.

Section V Environment and Social Responsibility

1. Reduce use of paper

The Company promotes the implementation of electronic seals, online approval and attendance procedures and electronic file management measures; implements corporate WeChat online meetings and digitizes meeting materials; uses double-sided printing, prints in a reduced format and reuses waste paper for page printing as much as possible. In 2022, a total of more than 3.2 million paperless business transactions were completed, and more than 10.3 million sheets of paper are expected to be saved.

2. Save electricity

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

3. Carry out the management of water resources

The Company conducts extensive water conservation education, regularly inspects water use equipment and facilities, prevents the phenomenon of “running, emitting, dripping and leaking,” continuously improves water use efficiency through technological transformation and awareness raising, and controls and reduces per capita water consumption as much as possible.

4. Carry out waste management

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

5. Promote the construction of green data centers

Focusing on high efficiency and energy saving, the data center of the Company has carried out a number of designs and constructions, including the use of high-density cold aisle closures in the IT room, the use of dual-channel centralized water cooling technology, the optimization and control of energy consumption in server room through the waste heat recovery and intelligent lighting control technology, the use of natural refrigeration in winter, the use of the air-conditioning unit combining centrifugal chiller with small cooling capacity screw chiller, and the use of frequency conversion pump and cold water heat pump unit of appropriate equivalent for the secondary pump of air conditioner. Optimization and transformation on energy consumption and efficiency were carried out according to the actual operation situation of the data center in 2022, the main measures include: adjusting the raised floor to adjust the air supply according to the energy consumption and heat dissipation of the cabinets in different functional areas in the machine room, providing cooling capacity on demand, avoiding loss of cooling capacity and improving the use efficiency of precise air conditioners in the machine room; making every effort to promote the cloudification process after the old physical servers become obsolete every year, and promoting the cloudification of low-load physical machines to save power. In 2022, we completed the work of cloudification of 184 physical servers, saving a total of approximately 92,000 kWh of electricity; the replacement of aging capacitors, fans and other components of 16 units of uninterruptible power supply equipment significantly improved the power supply efficiency of the machine room while effectively reducing the energy consumption.

Section V Environment and Social Responsibility

II. FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Fulfillment of social responsibilities

Applicable Not applicable

| External donations, public welfare projects | Amounts/content | Description |
|---|-----------------|--|
| Total investment (ten thousand yuan) | 3,300.75 | This amount includes rural revitalization projects |
| Including: funds (ten thousand yuan) | 3,283.95 | |
| Cash converted from materials (ten thousand yuan) | 16.8 | |
| Beneficiaries (persons) | 180,000 | |

Description

Applicable Not applicable

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

Applicable Not applicable

| Poverty alleviation and rural revitalization project | Amounts/content | Description |
|--|-----------------|--|
| Total investment (ten thousand yuan) | 1,121.99 | industrial support, education support, financial empowerment for public welfare (金融赋能公益), etc. |
| Including: funds (ten thousand yuan) | 1,121.99 | |
| Cash converted from materials (ten thousand yuan) | - | |
| Beneficiaries (persons) | 123,000 | |
| Form of support | | |

Description

Applicable Not applicable

Section V Environment and Social Responsibility

In 2022, the Company practice the core concept of “Serving the Country with Financial Services (金融報國)”, focusing on four major sectors, namely rural revitalization, educational support, financial empowerment for public welfare and emergency disaster relief, and shaping the brand image of “Contribution to Public Welfare with Financial Services (金融向善)”. New progress has been made in various works and has reached a new level.

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

(1) Help rural revitalization and high-quality development

The Company conscientiously implemented the “Philanthropy on Promoting Rural Revitalization of the Securities Industry (證券行業促進鄉村振興公益行動)”, and solved the problems of industrial development in the aided areas through industrial funds, support and construction, and enriched the spiritual and cultural life of rural residents.

1. *Promoting the “100 Enterprises for 100 Villages (百企結百村)” village-enterprises paired assistance project in Malipo County, Yunnan*

Donated RMB3 million to support the projects of “Military Post (軍旅驛站)” and “Farmers Market (農貿集市)” in Tianbao Village, Malipo County, Yunnan, which were put into use in September 2022. The Military Post can generate an annual income of RMB380,000 for the local area, and the Farmers Market provides a trading place for farmers.

2. *Deepening the urban-and-rural comprehensive support project in Shanghai*

Invested RMB5 million to support the industrial construction of Fengxian New City, and carried out the urban-rural pairing with Fengxian District, Shanghai, and carried out the public welfare photography activity of “Engraving the Years (鐫刻歲月)” to enrich the spiritual and cultural life of the elderly.

3. *Launching the “Construction of a Beautiful Village (美麗鄉村)” project in Xiaohaizi Village, Guangan County, Yunnan Province*

In November 2022, the “Beautiful Village” project in Xiaohaizi Village, Guangan County, Yunnan Province has completed, and improved the livelihood of the people of Xiaohaizi Village and became a model for the construction of the local “Beautiful Village”.

4. *Launching the “Shanghai and Qinghai Charity to Guoluo (滬青慈善牽手果洛行)” project*

Invested RMB800,000 in the poverty alleviation and poverty alleviation project of “Shanghai and Qinghai Charity to Guoluo”, and provided assistance to 54 poor families, 82 poor college students and 140 seriously ill patients.

Section V Environment and Social Responsibility

(2) Create a “Dream and Hope (築夢希望)” education support featured public welfare brand project

Taking education support as an important channel of rural revitalization, highlighting the comprehensive support features of “hard investment + soft power (硬投入+軟實力)”, consolidating the results of education support, and forming a “Dream and Hope (築夢希望)” education support featured public welfare brand project.

1. *Official launch of Guotai Junan Tianzhushan Central School*

In February 2022, Guotai Junan Tianzhushan Central School was officially launched. Staffs of the Company raised RMB253,000 to build the music classroom and indoor activity center of Tianzhushan Central School. The project was completed and put into use in November 2022.

2. *Doing well in volunteer activities for Guotai Junan Hope Primary School*

Invested RMB1,046,900 in the whole year to continuously carry out the “Nutritious Lunch Program (營養午餐計劃)” activity cooperated with Bright Food, providing milk and snacks to more than 1,500 students in Hope Primary School.

Carried out the love donation activity of “Lighting Up Micro Wishes, Warming Children’s Hearts (點亮微心願, 溫情暖童心)” to help 300 students in Hope Primary School realizing their dreams. Express sympathy and solicitude for poor students and rural teachers at the frontline of grassroots education, and grant scholarships and teaching grants to teachers and students.

In addition, the Shanghai Guotai Junan Social Welfare Foundation provided RMB50,000 of consolation money to the extremely poor students with serious disease in Weiyuan Hope Primary School in Gansu to help them tiding over the difficulties.

3. *Supporting branches to complete college student funding projects*

Supported our branches to do well in funding projects for poor college students, with an expenditure of RMB815,000 to support 90 poor college students; an expenditure of a scholarship of RMB300,000 to reward outstanding students, and an expenditure of RMB870,000 to subsidize the fresh candidates for college entrance examination admitted by the university.

4. *Holding the fourth Guotai Junan summer teacher training class*

In August 2022, the Company cooperated with Zhejiang University to carry out the fourth Guotai Junan summer teacher training class, which provided training and exchanges for 50 principals and key teachers from the schools supported by the Company.

Section V Environment and Social Responsibility

(3) Explore a new path of financial empowerment for public welfare

1. *Continue to promote the “Worry-free Growth(成長無憂)” welfare medical supplementary insurance project*

In cooperation with Pacific Insurance, we designed the “Worry-free Growth(成長無憂)” welfare medical supplementary insurance. The Company invested RMB2 million in insurance premiums each year and provided supplementary medical insurance for nearly 123,000 teachers and students. In 2022, a total of 471 claims were settled, and RMB1.82 million was paid.

2. *Carry out the carbon sink and emission reduction project in Malipo County, Yunnan Province*

The Company signed the Emission Reduction Purchase and Trading Agreement (《減排量購買和交易協議》) with Malipo County, Yunnan Province, delineating 171,200 mu of forest land for the carbon sink and emission reduction project.

3. *Carrying out the “Shangshan” Series • Guotai Junan Low-carbon Planting Rural Revitalization Charitable Trust Project (“上善”系列•國泰君安低碳添植鄉村振興慈善信託項目)*

In cooperation with the Shanghai Trust, the “Shangshan” Series • Guotai Junan Low-carbon Planting Rural Revitalization Charitable Trust was established in Malipo County, Yunnan Province, with a duration of 5 years and a scale of RMB1 million, to jointly build the “Guotai Junan Public Welfare Forest” to support the development of local industries.

(4) Efforts in resisting earthquakes

1. *Carrying out the Sichuan Ya’an Earthquake Assistance Project*

In September 2022, Ya’an, Sichuan Province, was hit by an earthquake. The Company donated an amount of RMB500,000 to support the emergency rescue and resettlement of victims in the earthquake-stricken areas.

Section V Environment and Social Responsibility

(III) Achievements in Boosting Rural Revitalization

Unit: ten thousand yuan Currency: RMB

| Indicators | Number and implementation information of the Company |
|---|---|
| I. Overview | |
| Including: 1. Fund (RMB0,000) | 1,121.99 |
| II. Itemized input | |
| 1. Poverty alleviation through industrial development | |
| Including: 1.1 Type of industrial poverty alleviation projects | <input type="checkbox"/> Poverty alleviation through agriculture and forestry <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through E-commerce <input type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Poverty alleviation through science and technology <input checked="" type="checkbox"/> Others |
| 1.2 Number of industrial poverty alleviation projects | 3 |
| 1.3 Amount of investment in industrial poverty alleviation projects | 300 |
| 2. Poverty alleviation through education | |
| Including: 2.1 Amount of investment in subsidizing students with financial difficulties | 380.88 |
| 2.2 Number of students receiving allowance | 1,969 |
| 2.3 Amount of investment in improving educational resources in poverty-stricken areas | 0 |
| 3. Poverty alleviation through healthcare | |
| Including: 3.1 Amount of investment in medical and health resources in poverty-stricken areas | 226.85 |
| 4. Protection for the most disadvantaged people | |
| Including: 4.1 Amount invested in helping the “three left-behind (三留守)” groups | 6.22 |
| 4.2 Number of people of the “three left-behind” groups helped | 300 |
| 5. Social poverty alleviation | |
| 5.1 Amount of investment in targeted poverty alleviation work | 108.04 |
| 6. Other projects | |
| Including: 6.1. Number of projects | 1 |
| 6.2. Amount of investment | 100 |

Section V Environment and Social Responsibility

III. Awards (nature and level)

1. In the first “Shanghai Charity Award (上海慈善獎)” held by the Shanghai Municipal People’s Government, the Company was awarded the “Donation Enterprise Award (捐贈企業獎)”
2. In the “Dream Building Hope (築夢希望)” organized by Shanghai Social Organization Service Center, our education assistance project was rated as a brand project
3. The brand of “Financial Goodness (金融向善)” was awarded the honorary title of “Shanghai State-owned Enterprise Party Building Cultural Brand (上海國企黨建文化品牌)” by Shanghai State-owned Assets Supervision and Administration Commission
4. “Ten Years on the Way to Goodness (十年向善路)” was rated as “Good News of Shanghai State-owned Enterprises (上海國企好新聞)” in the category of audio-visual works at the Shanghai State-owned Enterprises Ideological and Political Work Research Conference

(IV) Subsequent plans

In 2023, the Company will continue to practice the concept of “Serving the Country with Financial Services (金融報國)” and put efforts in industrial assistance, education assistance and financial empowerment, so as to “provide financial services with warmth and make people happier”.

Section VI Significant Events

I. PERFORMANCE OF UNDERTAKINGS

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

√ Applicable □ Not applicable

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

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

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

Section VI Significant Events

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

Met Unmet Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

III. NON-COMPLIANT GUARANTEES

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

(III) Communications with former accounting firm

Applicable Not applicable

(IV) Other explanations

Applicable Not applicable

Section VI Significant Events

VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: ten thousand yuan Currency: RMB

| Current accounting firm | |
|--|---|
| Name of the domestic accounting firm | KPMG Huazhen LLP |
| Remuneration of the domestic accounting firm | 260 |
| Term of audit services provided by the domestic accounting firm | 3 |
| Name of certified public accountant of the domestic accounting firm | WANG Guobei, YU Jingjing |
| Consecutive term of audit services provided by certified public accountants of the domestic accounting firms | WANG Guobei (3 years), YU Jingjing (3 years) |
| Name of the foreign accounting firm | KPMG |
| Remuneration of the foreign accounting firm | 250 |
| Term of audit services provided by the foreign accounting firm | 3 |

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

Explanations on appointment and dismissal of accounting firms

Applicable Not applicable

On 31 May 2022, as reviewed and approved at the 2021 annual general meeting of the Company, the Company reappointed KPMG Huazhen LLP as the Company's external auditor for 2022 to be responsible for the statutory audit and internal control audit for 2022 in accordance with China Accounting Standards for Business Enterprises audit and re-appointed KPMG as the external auditor of the Company for 2022 to be responsible for the relevant audit and review in accordance with IFRSs. The total amount of fees paid to the above accounting firms in respect of provision of audit, review and other assurance services to the Group (including subsidiaries) in 2022 is RMB10.77 million.

Since the service term of Ernst & Young Hua Ming LLP and Ernst & Young, the original auditors of the Company, has expired in accordance with the requirements of the Ministry of Finance of the PRC, the Company held the 2019 Annual General Meeting of the Company on 15 June 2020 to consider and approve the Resolution on Proposing to Consider the Appointment of Accounting Firms, pursuant to which, the Company appointed KPMG Huazhen LLP and KPMG as the external auditors of the Company for 2020, and appointed KPMG Huazhen LLP as the auditor for the internal control audit of the Company for 2020. Ernst & Young Hua Ming LLP and Ernst & Young, as the Company's external auditors for 2019, have confirmed that there was no matter related to their termination of service which needs to be brought to the attention of shareholders. The Board and the audit committee of the Company have also confirmed that the Company has no disagreement or outstanding issues with Ernst & Young Hua Ming LLP and Ernst & Young, and are not aware of any relevant matters which need to be brought to the attention of shareholders.

Section VI Significant Events

Explanation on change of accounting firm during the audit period

Applicable Not applicable

Service and fee of exterior auditor

| | 2022 |
|--------------------------------------|--------------------|
| | RMB million |
| Audit service | 10.8 |
| Non-audit service | |
| Taxation consultation and compliance | 1.1 |
| Others | 1.7 |
| Total | 13.6 |

VII. RISK OF DELISTING

(I) Reasons for delisting warning

Applicable Not applicable

(II) Corresponding measures to be taken by the Company

Applicable Not applicable

(III) Circumstances for delisting and reasons thereof

Applicable Not applicable

VIII. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

Applicable Not applicable

IX. MATERIAL LITIGATION AND ARBITRATION

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

Section VI Significant Events

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

√ Applicable □ Not applicable

1. Administrative regulatory measures were imposed on the Company by the CSRC issuing a warning letter to it

In January 2022, administrative regulatory measures were imposed on the Company by the CSRC issuing a warning letter to it for its failure to diligently perform adequate verification procedures and disclose relevant information on a consolidated basis on the relationship between two customers of the issuer, its inconsistent disclosure about the amount of products involved in patent litigation with significant difference, and its reliance on the information provided by the issuer when verifying capital accounts in sponsoring the initial public offering and listing of the shares of Auctus Technology Co., Ltd.

The Company has adopted the following rectification measures in respect of the above issues: (i) claiming liabilities against the relevant subjects by imposing administrative accountability measures of being criticized in a circulated notice on two sponsor representatives, and ordering them to return other remunerations other than their basic salary for 2021; (ii) further improving the level of due diligence and tutoring and cultivating the sensitivity of practice by duly broadening the scope and depth of verification and thoroughly investigating project risks in line with the features of various industries and different customers, to achieve a comprehensive objective of improving the quality of listed company, protecting the legitimate rights and interests of investors and promoting the healthy development of the securities market.

2. Administrative regulatory measures were imposed on Jiangxi Branch by Jiangxi Bureau of the CSRC ordering it to make rectifications

In February 2022, administrative regulatory measures were imposed on Jiangxi Branch by Jiangxi Bureau of the CSRC ordering it to make rectifications for its failure to visit some of the contracted investors of Ganjiang-Tongxing Investment and Consulting (贛江—同興投顧) who meet the selection criteria for return visit and an investment consultant of Jiangxi Branch delivering misleading statements to investors through WeChat and WeChat group in providing securities investment advisory services.

The Company has adopted the following rectification measures in respect of the above issues: (i) claiming liabilities against the relevant subjects by imposing administrative accountability measures of being criticized in a circulated notice as well as economic accountability measures of being deducted all performance incentives for 2021 on such investment consultant; imposing administrative accountability measures of being ordered to make written inspection as well as economic accountability measures for being deducted 30% of the performance incentives for 2021 on the then head of the responsible business branch; imposing administrative accountability measures for being ordered to make written inspection as well as economic accountability measures for being deducted 30% of the performance incentives for 2021 on the then leader in charge of the retail business of Jiangxi Branch; (ii) supplementing return visits to customers to further standardize the return visit process; (iii) continuously strengthening the supervision over employees' practice on social media; and (iv) making work adjustment to personnel involved in the products of Ganjiang-Tongxing Investment and Consulting (贛江—同興投顧).

Section VI Significant Events

3. Administrative regulatory measures were imposed on the Company by the CSRC ordering it to make rectifications

In November 2022, administrative regulatory measures were imposed on the Company by the CSRC ordering it to make rectifications due to the facts that (i) internal control of its investment banking business was not perfect, quality control and internal audit were not strict, and when the applications for the approval of some bond projects were denied and re-submitted for approval, the differences between such applications were not fully compared and explained, and some internal audit opinions were released before such opinions were approved; (ii) the professional integrity risk prevention and control mechanism was not perfect, and there was no professional integrity risk prevention and control for engaging a third party. Meanwhile, XIE Lebin, as the then senior executive in charge of investment banking business, was directly responsible for such non-compliance events, and administrative regulatory measures was imposed on him by the CSRC by issuing a warning letter.

The Company has adopted the following rectification measures in respect of the above issues: (i) claiming liabilities against the relevant personnel by imposing administrative accountability measures of being criticized and educated on XIE Lebin; (ii) continuing to improve the construction of internal systems by revising relevant systems and publishing them in a timely manner and refining workflows and the list of drafts; (iii) strengthening the construction of the investment banking system, improving the business operation guidance for the investment banking system, and optimizing the standardized business module and business control process; (iv) strengthening business training and risk case analysis to improve compliance awareness; and (v) strengthening compliance audit, compliance inspection and compliance propaganda, and constantly enhancing the prevention and control effect on professional integrity.

4. Administrative penalties for anti-money laundering were imposed on the Company by the Shanghai Branch of the People's Bank of China

From December 2021 to January 2022, the Shanghai Branch of the People's Bank of China carried out a law enforcement inspection on the Company's implementation of anti-money laundering regulations from 1 July 2020 to 30 June 2021, and pointed out that the Company had problems such as not re-identifying customers' identity as required, not taking enhanced identification measures for high-risk customers as required and not carrying out suspicious transaction monitoring as required. As a result, the Company was fined RMB950,000 in total for the above acts in violation of the anti-money laundering management regulations.

The Company has adopted the following rectification measures in respect of the above issues: (i) improving continuous customer due diligence and strengthening the due diligence mechanism; (ii) continuously improving internal system construction by revising relevant operation guidelines and refining work requirements; (iii) strengthening system construction, improving system monitoring logic and standards, optimizing operation process, and improving system program reliability; (iv) organizing and carrying out comprehensive self-inspection and special inspection; and (v) strengthening business training and improving the business capability of personnel at posts with money laundering risk. The Company has reported the rectification information to the Shanghai Branch of the People's Bank of China in writing.

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

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

Applicable Not applicable

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

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

XII. MATERIAL RELATED PARTY TRANSACTIONS

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

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

Applicable Not applicable

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

Applicable Not applicable

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

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

The Group conducts continuing connected transactions primarily with International Group and its associates, HuaAn Funds and its subsidiaries:

- a) International Group directly and indirectly holds a total of 33.35% of the equity interest of the Company. Therefore, International Group and its associates are connected persons of the Company under the Hong Kong Listing Rules.

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According to the relevant requirements, the Company, in accordance with the nature of its transactions, categorizes them into two categories, namely securities and financial product transactions and financial services based on its analysis of the types and basic contents of its current and future possible continuing connected transactions with International Group and its associates. On 30 December 2019, as approved at the 20th extraordinary meeting of the Company's fifth session of the Board, the Company entered into the "Securities and Financial Products Transactions and Services Framework Agreement for 2020 to 2022" with International Group, agreeing on the contents of the continuing connected transactions for 2020 to 2022 and setting the cap for the annual transaction amount. On 29 December 2022, as approved at the 14th extraordinary meeting of the Company's sixth session of the Board, the Company entered into the "Securities and Financial Products Transactions and Services Framework Agreement for 2023 to 2025" with International Group, agreeing on the contents of the continuing connected transactions for 2023 to 2025 and setting the cap for the annual transaction amount.

During the Reporting Period, the Company's continuing connected transactions were implemented according to relevant framework agreement signed by the Company and International Group and the pricing principles for relevant transactions were strictly followed. The transaction amounts and substance did not exceed the scope of such agreements. The annual caps and the actual transaction amounts for 2022 are set out below:

Unit: million yuan Currency: RMB

| Subject matter | Annual cap for 2022 | Actual transaction amount for 2022 |
|---|--------------------------------|---|
| Securities and financial products transactions | | |
| Inflow | 6,787.10 | 621.10 |
| Outflow | 6,752.80 | 1,388.20 |
| Financial services | | |
| Income | 151.90 | 5.86 |
| Expenses | 65.10 | 0.19 |

- b) HuaAn Funds completed an the industrial and commercial registration and filing procedures in November 2022. The Company holds 51% equity interest in HuaAn Funds, which is a subsidiary of the Company. Since Guotai Junan Investment Management Co., Ltd. and Shanghai SITICO Assets Management Co., Ltd., associates of International Group (controlling shareholder of the Company), jointly hold more than 10% equity interest in HuaAn Funds, HuaAn Funds and its subsidiaries are connected subsidiaries of the Company under the Hong Kong Listing Rules.

Section VI Significant Events

According to the relevant requirements, the Company, in accordance with the nature of its transactions, categorizes them into two categories, namely securities and financial product transactions and financial services based on its analysis of the types and basic contents of its current and future possible continuing connected transactions with HuaAn Funds and its subsidiaries. On 29 November 2022, as approved at the 12th extraordinary meeting of the Company's sixth session of the Board, the Company entered into the "Securities and Financial Products Transactions and Services Framework Agreement for 2022" with HuaAn Funds, agreeing on the contents of the continuing connected transactions for 4 November to 31 December 2022 (the "Period") and setting the cap for the transaction amount. On 29 December 2022, as approved at the 14th extraordinary meeting of the Company's sixth session of the Board, the Company entered into the "Securities and Financial Products Transactions and Services Framework Agreement for 2023" with HuaAn Funds, agreeing on the contents of the continuing connected transactions for 2023 and setting the cap for the annual transaction amount.

During the Reporting Period, the Company's continuing connected transactions were implemented according to relevant framework agreement signed by the Company and HuaAn Funds and the pricing principles for relevant transactions were strictly followed. The transaction amounts and substance did not exceed the scope of such agreements. The cap for the period and the actual transaction amounts for 2022 are set out below:

Unit: million yuan Currency: RMB

| Subject matter | Cap for the Period | Actual transaction amount for the Period |
|---|-------------------------------|---|
| Securities and financial products transactions | | |
| Inflow | 1,461.00 | 801.10 |
| Outflow | 3,265.00 | 123.40 |
| Financial services | | |
| Income | 114.10 | 40.45 |
| Expenses | 9.15 | 2.02 |

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

- 1) nothing has come to their attention that may cause them to believe that the continuing connected transactions disclosed have not been approved by the Board of the Company;
- 2) in respect of the continuing connected transactions which involve the products and services by the Company, nothing has come to their attention that may cause them to believe that these transactions are not, in all material respects, in accordance with the pricing policy of the Group;

Section VI Significant Events

- 3) nothing has come to their attention that may cause them to believe that these transactions are not entered into, in all material respects, in accordance with the relevant agreements governing these transactions; and
- 4) with respect to the total amounts for such continuing connected transactions, nothing has come to their attention that may cause them to believe the continuing connected transactions disclosed have exceeded the annual transaction caps set by the Company.

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

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

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

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

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

During the Reporting Period, the Company's day-to-day related party transactions were implemented according to the Resolution Relating to the Estimation of Day-to-day Related Party Transactions of the Company in 2022, which was considered and approved at the 2021 Annual General Meeting of the Company.

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

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

① Fee and commission income from related parties

Unit: yuan Currency: RMB

| Names of related parties | Contents of related party transactions | Amount for the current period | Amount for the last period |
|--------------------------------|--|-------------------------------|----------------------------|
| HuaAn Funds | Income from lending of trading seats | 102,059,948 | 164,464,267 |
| Shanghai Rural Commercial Bank | Revenue from securities underwriting business | - | 32,816,677 |
| Shanghai Rural Commercial Bank | Revenue from entrusted asset management business | 11,634,653 | 11,211,883 |

② Interest received from related parties

Unit: yuan Currency: RMB

| Names of related parties | Contents of related party transactions | Amount for the current period | Amount for the last period |
|--------------------------|--|-------------------------------|----------------------------|
| SPD Bank | Interest from deposits in financial institutions | 109,014,300 | 224,892,724 |

③ Interest paid to related parties

Unit: yuan Currency: RMB

| Names of related parties | Contents of related party transactions | Amount for the current period | Amount for the last period |
|--------------------------------|---|-------------------------------|----------------------------|
| HuaAn Funds | Interest expense of financial assets sold under repurchase agreements | 12,498,230 | 13,484,591 |
| Shanghai Rural Commercial Bank | Interest expense of financial assets sold under repurchase agreements | - | 12,394,140 |
| SPD Bank | Interest expense of placements from other financial, borrowings and bonds | 15,967,087 | 5,673,374 |

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④ Operating expenses and costs paid to related parties

Unit: yuan Currency: RMB

| Names of related parties | Contents of related party transactions | Amount for the current period | Amount for the last period |
|--------------------------|--|-------------------------------|----------------------------|
| SPD Bank | Service fees for sales of financial products | 2,969,241 | 10,548,287 |

2) Balances with related parties

① Balances of deposits with related parties

Unit: yuan Currency: RMB

| Names of related parties | Balances at the end of the period | Balances at the beginning of the period |
|--------------------------|-----------------------------------|---|
| SPD Bank | 8,360,027,944 | 6,238,209,079 |

② Balances of financial assets held under resale agreements

Unit: yuan Currency: RMB

| Names of related parties | Balances at the end of the period | Balances at the beginning of the period |
|--------------------------|-----------------------------------|---|
| SPD Bank | 120,029,589 | 800,090,340 |

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

Unit: yuan Currency: RMB

| Names of related parties | Balances at the end of the period | Balances at the beginning of the period |
|---------------------------------|-----------------------------------|---|
| SPD Bank | 4,149,846,356 | 1,711,232,449 |
| Shanghai Rural Commercial Bank | 295,089,428 | – |
| Shanghai Securities | 221,680,953 | – |
| Great Wall Securities Co., Ltd. | 134,852,282 | 411,361,886 |

Section VI Significant Events

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

Unit: yuan Currency: RMB

| Names of related parties | Balances at the end of the period | Balances at the beginning of the period |
|--------------------------|--------------------------------------|---|
| SPD Bank | 1,133,553,005 | 1,978,609,992 |

- ⑤ Balances of financial assets sold under repurchase agreements

Unit: yuan Currency: RMB

| Names of related parties | Balances at the end of the period | Balances at the beginning of the period |
|--------------------------|--------------------------------------|---|
| SPD Bank | - | 300,483,288 |

- ⑥ Balance of account receivable

Unit: yuan Currency: RMB

| Names of related parties | Balances at the end of the period | Balances at the beginning of the period |
|--------------------------|--------------------------------------|---|
| HuaAn Funds | N/A | 110,112,626 |

3. Matters not disclosed in ad hoc announcements

Applicable Not applicable

Section VI Significant Events

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

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

Applicable Not applicable

Description

1) *Acquisition of 15% equity interest in HuaAn Funds*

On 27 October 2021, the Company entered into an agreement with Shanghai SITICO Assets Management Co., Ltd., a related party, to acquire the 15% equity interest in HuaAn Funds it held at a consideration of RMB1.812 billion. On 14 March 2022, the Company received the Reply of Approval on the Change of Equity Interest in HuaAn Funds Management Co., Ltd. (Zheng Jian Xu Ke [2022] No. 469) from the CSRC, which approved Shanghai SITICO Assets Management Co., Ltd. to transfer the 15% equity interest in HuaAn Funds it held to the Company. On 6 June 2022, the Company completed the industrial and commercial registration change in respect of the acquisition of the 15% equity interest in HuaAn Funds. International Group directly and indirectly holds 33.35% of the total share capital of the Company, and directly holds 80% equity interest in Shanghai SITICO Assets Management Co., Ltd., and Shanghai SITICO Assets Management Co., Ltd. is therefore an associate of International Group and a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the above acquisition constitutes a connected transaction of the Company under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

2) *Acquisition of 8% equity interest in HuaAn Funds*

On 8 July 2022, upon consideration and approval at the 2022 first extraordinary general meeting, the Company acquired 8% equity interest in HuaAn Funds held by Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司) by way of non-public agreement transfer. On 8 October 2022, HuaAn Funds received the Reply of Approval on the Change of De Facto Controller in HuaAn Funds Management Co., Ltd. (Zheng Jian Xu Ke [2022] No. 2382) from the CSRC, which approved International Group to be the de facto controller of HuaAn Funds and raised no objection to the capital contribution of RMB12 million of the Company for acquisition of HuaAn Funds (accounting for 8% of its registered capital). On 4 November 2022, HuaAn Funds completed necessary procedures, including registration of industrial and commercial change, and the Company's shareholding percentage in HuaAn Funds was changed to 51%, and HuaAn Funds became a subsidiary of the Company. Shanghai Industrial Investment (Group) Co., Ltd. and its ultimate beneficial owner are independent third parties. International Group directly and indirectly holds approximately 33.35% of the Company's share capital. As such, International Group is the controlling shareholder and controller of the Company as defined under the Hong Kong Listing Rules.

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International Group holds 33.57% and 80% equity interest in Guotai Junan Investment Management Co., Ltd. and Shanghai SITICO Assets Management Co., Ltd. respectively. As such, each of Guotai Junan Investment Management Co., Ltd. and Shanghai SITICO Assets Management Co., Ltd. is an associate of International Group as defined under the Hong Kong Listing Rules. Since Guotai Junan Investment Management Co., Ltd. and Shanghai SITICO Assets Management Co., Ltd. hold 20% and 20% equity interest in HuaAn Funds respectively, the associates of International Group hold more than 10% equity interest in HuaAn Funds and are substantial shareholders of HuaAn Funds. Accordingly, the above acquisition constitutes a connected transaction of the Company under the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

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

Applicable Not applicable

3. Matters not disclosed in ad hoc announcements

Applicable Not applicable

4. If performance covenant is involved, the fulfilment of the business performance undertaking during the Reporting Period shall be disclosed

Applicable Not applicable

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

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

Applicable Not applicable

Description

1) Investment in Lingang Technology Frontier Fund

On 1 December 2021, the fourth extraordinary meeting of the sixth session of the Board of the Company approved Guotai Junan Innovation Investment to invest RMB2 billion to jointly establish Shanghai Lingang Guotai Junan Technology Frontier Industrial Private Fund Partnership (Limited Partnership) (“Lingang Technology Frontier Fund”) with International Group and other third parties.

On 23 February 2022, the fifth extraordinary meeting of the sixth session of the Board of the Company approved to adjust part of the plan for the establishment of the Lingang Technology Frontier Fund.

Section VI Significant Events

On 24 February 2022, Guotai Junan Innovation Investment and its subsidiary, Guotai Junan Capital Management Co., Ltd., entered into a partnership agreement with International Group and other third parties, pursuant to which Guotai Junan Innovation Investment and Guotai Junan Capital Management Co., Ltd., as a general partner and a limited partner, contributed RMB1.5 billion and RMB0.5 billion, respectively, and International Group, as a limited partner, contributed RMB1 billion, to participate in the establishment of Lingang Technology Frontier Fund, focusing on investment in industries such as technology, healthcare, intelligent manufacturing and green development. As International Group directly and indirectly owns 33.35% of the issued share capital of the Company, it is a substantial shareholder of the Company and thus a connected person of the Company. Therefore, the participation of Guotai Junan Innovation Investment and its subsidiary, Guotai Junan Capital Management Co., Ltd., in the establishment of the Lingang Technology Frontier Fund constitutes a connected transaction of the Company.

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

2) *Investment in Financial Technology Fund*

On 23 February 2022, the fifth extraordinary meeting of the sixth session of the Board of the Company approved Shanghai Guotai Junan Creative Equity Investment Fund of Funds Center L.P. (managed by Guotai Junan Capital Management Co., Ltd., a subsidiary of Guotai Junan Innovation Investment) to jointly establish Shanghai Financial Technology Equity Investment Fund (Limited Partnership) (“Financial Technology Fund”) with SIG Asset Management Co., Ltd. and other investors with a fund-raising scale of not less than RMB3 billion and a focus on investment in the financial technology industry. Shanghai Jinpu Investment Co., Ltd. (金浦產業投資基金管理有限公司) serves as the fund manager of the Financial Technology Fund. The capital commitment of Shanghai Guotai Junan Creative Equity Investment Fund of Funds Center L.P. (as a limited partner) and SIG Asset Management Co., Ltd. (as a limited partner) is RMB200 million and RMB900 million, respectively.

On 24 February 2022, Shanghai Guotai Junan Creative Equity Investment Fund of Funds Center L.P. signed a partnership agreement with SIG Asset Management Co., Ltd. and other third parties for Financial Technology Fund.

As International Group directly and indirectly owns an aggregate of 33.35% of the issued share capital of the Company, it is a substantial shareholder of the Company. SIG Asset Management Co., Ltd. is a wholly-owned subsidiary of International Group and Shanghai Jinpu Investment Co., Ltd. is held as to 49.5% by SIG Asset Management Co., Ltd., therefore each of SIG Asset Management Co., Ltd. and Shanghai Jinpu Investment Co., Ltd. is a connected person of the Company. The participation in the establishment of Financial Technology Fund by Shanghai Guotai Junan Creative Equity Investment Fund of Funds Center L.P. constitutes a connected transaction of the Company as defined in Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules in respect of such connected transactions.

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3) Investment in YRD Fund II

On 15 December 2022, the 13th extraordinary meeting of the sixth session of the Board of the Company approved Guotai Junan Zhengyu to invest no more than RMB700 million to jointly establish Yangtze River Delta Collaborative Leading (Shanghai) Private Fund Partnership (Limited Partnership) (長三角協同引領(上海)私募基金合夥企業(有限合夥)) (“YRD Fund II”) with Shanghai Growth-FOF Co., Ltd., SIG Asset Management Co., Ltd. and other third parties with a fund-raising scale of RMB10 billion, focusing on investments in hard-technology industries, including semiconductors, biomedicine, digital intelligence.

On 30 December 2022, Guotai Junan Zhengyu signed a partnership agreement with Shanghai Growth-FOF Co., Ltd., SIG Asset Management Co., Ltd. and other third parties for YRD Fund II, of which the final capital commitment of Guotai Junan Zhengyu (as a limited partner), Shanghai Growth-FOF Co., Ltd. (as a general partner), and SIG Asset Management Co., Ltd. (as a limited partner) is RMB700 million, RMB7.2 million and RMB2.8 billion, respectively.

Shanghai Growth-FOF Co., Ltd. is held as to 35% by SIG Asset Management Co., Ltd., and SIG Asset Management Co., Ltd. is a wholly-owned subsidiary of International Group. As International Group is a substantial shareholder of the Company, both Shanghai Growth-FOF Co., Ltd. and SIG Asset Management Co., Ltd. are connected persons of the Company. Accordingly, the participation in the establishment of YRD Fund II by Guotai Junan Zhengyu constitutes a connected transaction of the Company.

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

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

Applicable Not applicable

3. Matters not disclosed in ad hoc announcements

Applicable Not applicable

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(IV) Debts due to/from related parties

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

Applicable Not applicable

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

Applicable Not applicable

3. Matters not disclosed in ad hoc announcements

Applicable Not applicable

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

Applicable Not applicable

(VI) Miscellaneous

Applicable Not applicable

XIII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) Custody, contracting and leasing

1. Custody

Applicable Not applicable

2. Contracting

Applicable Not applicable

3. Leasing

Applicable Not applicable

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(II) Guarantees

Applicable Not applicable

Unit: yuan Currency: RMB

External guarantees by the Company (excluding guarantees for subsidiaries)

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

Guarantees of the Company and its subsidiaries for subsidiaries

| | |
|---|---------------|
| Total amount of the guarantees for subsidiaries during the Reporting Period | - |
| Total balance of guarantees for subsidiaries at the end of the Reporting Period (B) | 5,947,768,400 |

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

| | |
|---|---|
| Total amount of guarantees (A+B) | 5,947,768,400 |
| Total amount of guarantees as a percentage of the net assets of the Company (%) | 3.77 |
| Including: | |
| The amount of guarantees offered to the Shareholders, de facto controller and their related parties (C) | - |
| The amount of debt guarantees directly or indirectly offered to the guaranteed with a gearing ratio of over 70% (D) | 5,947,768,400 |
| The amount of guarantees in excess of 50% of net assets (E) | - |
| The sum of the three items above (C+D+E) | 5,947,768,400 |
| Remark on the joint settlement responsibilities in relation to premature guarantees | The principal, interest and other related expenses of the bonds |

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Remark on the guarantees

On 21 April 2021, Guotai Junan Holdings Limited, a subsidiary of the Company, issued the USD500 million medium-term bonds with a term of 5 years and an interest rate of 2%. The Company (as the guarantor) entered into a guarantee agreement with Bank of New York Mellon (as trustee), to provide unconditional and irrevocable guarantee for the payment obligation under the aforesaid bonds of Guotai Junan Holdings Limited.

On 24 November 2021, Guotai Junan Holdings Limited, a subsidiary of the Company, issued the USD300 million medium-term bonds with a term of 3 years and an interest rate of 1.60%. The Company (as the guarantor) entered into a guarantee agreement, to provide unconditional and irrevocable joint liability guarantee for the payment obligation under the aforesaid notes of Guotai Junan Holdings Limited.

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

- I. By virtue of normal business needs, Guotai Junan Financial Holdings provided guarantees in respect of a number of agreements entered into between its wholly-owned subsidiaries and their respective counterparties, including the Framework Agreements for International Swaps and Derivatives Association (ISDA), the Global Master Repurchase Agreement (GMRA) and the Gold Loan Agreement. As at the end of the Reporting Period, the total guarantee balance of actual transactions was equivalent to approximately RMB3.804 billion.
- II. Guotai Junan International provided the following guarantees for its wholly-owned subsidiaries in accordance with the Listing Rules of the Hong Kong Stock Exchange:
 - (1) By virtue of normal business needs, Guotai Junan International provided guarantees in respect of a number of agreements entered into between its wholly-owned subsidiaries and their respective counterparties, including the Framework Agreements for International Swaps and Derivatives Association (ISDA), the Global Master Securities Lending Agreement (GMSLA) and the Global Master Repurchase Agreement (GMRA). As at the end of the Reporting Period, the total guarantee balance of actual transactions was equivalent to approximately RMB4.880 billion;
 - (2) Guotai Junan International provided guarantees for its wholly-owned subsidiaries in respect of the structured notes with a maximum amount of US\$15.0 billion. As at the end of the Reporting Period, the total guarantee balance of the loans actually drawn was equivalent to approximately RMB3.426 billion;

Section VI Significant Events

- (3) Guotai Junan International provided the debt financing guarantees in respect of the bank loans of its wholly-owned subsidiaries. The guarantee limits are HK\$6.63 billion, USD105 million and RMB55 million, respectively. As at the end of the Reporting Period, the guarantee balance of the loans actually drawn was equivalent to approximately RMB893 million.

As at the end of the Reporting Period, the percentage of the Company's shareholding in Guotai Junan International was 73.74%.

(III) Other material contracts

Applicable Not applicable

1. According to the SSE Listing Rules, the Group did not enter into any material contract during the Reporting Period.
2. The updates of material contracts disclosed in the Prospectus in relation to the Initial Public Offering of A Shares during the Reporting Period are as follows:
 - (1) According to a resolution at the 10th extraordinary meeting of the 4th session of the board of Directors, the Company invests in the office building project of Huangpu Riverside (黃浦濱江), and the investment amount is expected to not exceed RMB1.18 billion. On 16 October 2013, the Company signed the Framework Agreement for Transfer of the Fuxing Land (《復興地塊項目轉讓框架協議》) with Shanghai Bund Riverside Development Company Ltd. (上海外灘濱江綜合開發有限公司) ("Bund Riverside"). Pursuant to this agreement, Bund Riverside intends to acquire the land through land auction. The land is located at the Huangpu District, Shanghai City and is used for commercial and office purposes, with a site area of 35,862 m². Bund Riverside will construct six office buildings on the site and transfer one of the buildings (with a gross floor area of approximately 14,000 m²) to the Company. The transfer price covered the land costs, construction costs, respective amortization charges and the project management fees paid to Bund Riverside. On 12 December 2013, Bund Riverside signed the Land Use Rights Grant Contract of State-owned Land with the Planning and Land Administration Bureau of Huangpu District (上海市黃浦區規劃和土地管理局). As of the end of 2022, the Company had paid RMB1,096.67 million.
 - (2) On 18 November 2014, Guoxiang Properties signed the Main Contract on Construction of the Main Body of the New Project of the Office Building of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司辦公樓新建項目主體工程施工總承包合同》) with Shanghai Construction No.1, pursuant to which Shanghai Construction No.1 was responsible for constructing the main body of the new project of the office building of Guotai Junan. The project is located at Lot 49, Jing'an District, Shanghai City, with a total contract value of RMB335.88 million and the settlement amount of RMB363.98 million. As of the end of 2022, the Company has paid RMB350.03 million.

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

√ Applicable □ Not applicable

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

During the Reporting Period, the Company obtained listed securities market making and trading business qualification, Science and Technology Innovation Board market making and securities borrowing business qualification and China Securities 500 ETF option master market maker qualification. Please refer to “Business Qualifications for Each Individual Business of the Company” in “Section II Company Profile and Key Financial Indicators” of this report for details.

2. Payment of bonds

(1) Issuance and payment of bonds by the Company

In January 2020, the Company issued the corporate bonds “2020 Corporate Bonds (First Tranche)” of RMB4 billion, with a term of 3 years. In January 2023, the bonds matured and the Company repaid all the bonds.

In March 2020, the Company issued the corporate bonds “2020 Corporate Bonds (Second Tranche) (Type 1)” of RMB4 billion, with a term of 3 years. In March 2023, the bonds matured and the Company repaid all the bonds.

(2) Issuance of MTN by Guotai Junan International

In 2022, Guotai Junan International issued MTN denominated in various currencies with a total amount of HK\$1.9 billion, US\$474 million and RMB2.096 billion, with terms from six months to one year.

3. Purchase of office properties in the Great Bay Area

In December 2022, the 14th extraordinary meeting of the sixth session of the Board of the Company considered and approved the Resolution on the Proposal to Consider the Purchase of Office Properties in the Great Bay Area, and approved the Company to purchase floors 39-44 of the medium-to-high storeys of phase III of UpperHills (South Area) (深業上城(南區)) in the name of the Shenzhen branch of the Company, which was registered in the Futian District, Shenzhen, and with a transaction amount not exceeding RMB1.16 billion. The contract was signed in December 2022, with a total consideration of RMB1.12 billion. Such properties were put into use.

Section VI Significant Events

4. Material contracts

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

5. Management contracts

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

6. Permitted indemnity provision

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

7. Tax reduction and exemption

1) Holders of A Shares

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

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

Section VI Significant Events

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

In accordance with the Notice on Tax Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(Cai Shui [2014] No. 81), for dividend and bonus incomes obtained by investors (including enterprises and individuals) in the Hong Kong market from investment in A shares listed on the SSE, the implementation of differentiated taxation based on the term of shareholding is suspended before Hong Kong Securities Clearing Company Limited meets the conditions of providing identification, term of shareholding and other specific data of investors to the CSDC. The income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the governing tax authority. For Hong Kong investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises or individuals may apply to the competent tax authorities for the entitlement of the rate under such tax treaty or entrust a withholding to do so. Upon approval by the tax authorities, the amount paid in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

(2) Holders of H Shares

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

Section VI Significant Events

In accordance with the Notice of the State Administration of Taxation on the Issues Concerning Withholding Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Shareholders that are Nonresident Overseas Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), a PRC resident enterprise, when paying dividends to H shareholders that are non-resident overseas enterprises for 2008 and subsequent years, shall withhold enterprise income tax at a uniform rate of 10%.

In accordance with the Notice on Tax Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No. 81) issued by the Ministry of Finance, the State Administration of Taxation and the SFC, for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax shall be paid in accordance with the aforementioned regulations. For dividends received by domestic enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall not withhold and pay the income tax for such dividends and those domestic enterprise investors shall report and pay the relevant tax on their own. Meanwhile, for the dividends obtained by domestic resident enterprises from holding relevant H shares for a consecutive 12-month period, the corporate income tax shall be exempted according to laws.

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

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

Section VII Changes in Shares and Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in Shares

1. Table of changes in Shares

Unit: share

| | Before change | | Issue of new shares | Bonus issue | Change (+/-) Capitalization | | | After change | |
|---|---------------|-------------------|------------------------|----------------|--------------------------------|-------------|-------------|---------------|-------------------|
| | Number | Percentage (%) | | | of surplus reserve | Others | Sub-total | Number | Percentage (%) |
| I. Shares subject to selling restrictions | 88,999,990 | 1.00 | | | | -26,678,183 | -26,678,183 | 62,321,807 | 0.70 |
| 1. Other domestic shareholdings | 88,999,990 | 1.00 | | | | -26,678,183 | -26,678,183 | 62,321,807 | 0.70 |
| Shareholdings of domestic natural person | 88,999,990 | 1.00 | | | | -26,678,183 | -26,678,183 | 62,321,807 | 0.70 |
| II. Tradable shares not subject to selling restrictions | 8,819,449,533 | 99.00 | | | | +24,901,296 | +24,901,296 | 8,844,350,829 | 99.30 |
| 1. RMB-denominated ordinary shares | 7,427,622,353 | 83.38 | | | | +24,901,296 | +24,901,296 | 7,452,523,649 | 83.67 |
| 2. Overseas listed foreign invested Shares | 1,391,827,180 | 15.62 | | | | - | - | 1,391,827,180 | 15.63 |
| III. Total number of ordinary shares | 8,908,449,523 | 100.00 | | | | -1,776,887 | -1,776,887 | 8,906,672,636 | 100.00 |

2. Changes in Shares

Applicable Not applicable

During the Reporting Period, the A-Share Convertible Bonds had been converted into a total of 1,113 Shares. In January 2022, 1,778,000 Restricted A Shares were repurchased and cancelled. The total share capital of the Company changed to 8,906,672,636 Shares, including 7,514,845,456 A Shares and 1,391,827,180 H Shares. In December 2022, the unlocking conditions for the first lock-up period of the first grant under the Restricted Share Incentive Scheme of A Shares of Company were fulfilled and a total of 24,900,183 restricted shares were unlocked as tradable shares not subject to selling restrictions.

Section VII Changes in Shares and Particulars of Shareholders

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

Applicable Not applicable

In 2022, the basic earnings per share of the Group was RMB1.24, and the diluted earnings per share was RMB1.23 after taking into account the impact of conversion of convertible bonds and the Restricted Share Incentive Scheme of A Shares; and the net asset per share attributable to equity holders of the Company at the end of 2022 (including the perpetual bonds issued by the Company) was RMB17.71 (31 December 2021:RMB16.52). After deducting the effect of such perpetual bonds, the net asset per share attributable to equity holders of the Company at the end of 2022 was RMB16.03 (31 December 2021:RMB15.40).

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

Applicable Not applicable

(II) Changes in Shares subject to selling restrictions

Applicable Not applicable

Unit: share

| Name of shareholders | Number of Shares subject to selling restrictions as at the beginning of the year | Number of Shares for unlocking Shares for the year | Increase in number of Shares subject to selling restrictions for the year | Number of Shares subject to selling restrictions at the end of the year ^{Note 1} | Reasons | Unlocking date |
|---|--|--|---|---|---|------------------------|
| Incentive participants of restricted A Shares | 88,999,990 | 24,900,183 | - | 62,321,807 | Restricted Share Incentive Scheme of A Shares | See note 2 for details |
| Total | 88,999,990 | 24,900,183 | - | 62,321,807 | / | / |

Note 1: In January 2022, the Company repurchased and cancelled a total of 1,778,000 restricted A Shares that had been granted but not yet unlocked as some incentive participants were no longer qualified as incentive participants.

Note 2: The lock-up periods of the restricted A Shares held by the incentive participants are 24 months, 36 months and 48 months, respectively, from the date of completing registration for the grant of the corresponding portions of shares.

Section VII Changes in Shares and Particulars of Shareholders

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the Reporting Period

Applicable Not applicable

Unit: share Currency: RMB

| Types of Shares and other derivative instruments | Date of issue | Issue price (or interest rate) | Issue amount | Listing date | Transaction | Transaction |
|--|----------------|-----------------------------------|---------------|----------------|------------------------------------|---------------------|
| | | | | | amount approved to be listed | Termination Date |
| Bonds (including enterprise bonds, corporate bonds and debt financing instruments for non-financial businesses) | | | | | | |
| 2022 Subordinated Bonds (First Tranche) (Type I) | January 2022 | 3.00% | 2,500,000,000 | January 2022 | 2,500,000,000 | January 2024 |
| 2022 Subordinated Bonds (First Tranche) (Type II) | January 2022 | 3.17% | 3,500,000,000 | January 2022 | 3,500,000,000 | January 2025 |
| 2022 First Tranche Short-term Financing Bills | January 2022 | 2.58% | 3,000,000,000 | January 2022 | 3,000,000,000 | December 2022 |
| 2022 Corporate Bonds (First Tranche) (Type I) | March 2022 | 3.04% | 2,000,000,000 | March 2022 | 2,000,000,000 | March 2025 |
| 2022 Corporate Bonds (First Tranche) (Type II) | March 2022 | 3.74% | 1,400,000,000 | March 2022 | 1,400,000,000 | March 2032 |
| 2022 Corporate Bonds (Second Tranche) (Type I) | April 2022 | 2.96% | 2,800,000,000 | April 2022 | 2,800,000,000 | April 2025 |
| 2022 Corporate Bonds (Second Tranche) (Type II) | April 2022 | 3.70% | 2,500,000,000 | April 2022 | 2,500,000,000 | April 2032 |
| 2022 Corporate Bonds (Third Tranche) (Type I) | May 2022 | 2.78% | 3,100,000,000 | May 2022 | 3,100,000,000 | May 2025 |
| 2022 Corporate Bonds (Third Tranche) (Type II) | May 2022 | 3.58% | 2,400,000,000 | May 2022 | 2,400,000,000 | May 2032 |
| 2022 Second Tranche Short-term Financing Bills | June 2022 | 1.87% | 3,000,000,000 | June 2022 | 3,000,000,000 | September 2022 |
| 2022 Corporate Bonds (Fourth Tranche) (Type I) | July 2022 | 2.92% | 2,500,000,000 | July 2022 | 2,500,000,000 | July 2025 |
| 2022 Corporate Bonds (Fourth Tranche) (Type II) | July 2022 | 3.27% | 2,500,000,000 | July 2022 | 2,500,000,000 | July 2027 |
| 2022 Perpetual Subordinated Bonds (First Tranche) ^{Note 1} | July 2022 | 3.59% | 5,000,000,000 | July 2022 | 5,000,000,000 | Not applicable |
| 2022 Corporate Bonds (Fifth Tranche) (Type I) | September 2022 | 2.52% | 2,000,000,000 | September 2022 | 2,000,000,000 | September 2025 |
| 2022 Corporate Bonds (Fifth Tranche) (Type II) | September 2022 | 2.90% | 3,000,000,000 | September 2022 | 3,000,000,000 | September 2027 |
| 2022 Short-term Corporate Bonds (First Tranche) (Type I) | November 2022 | 2.51% | 3,000,000,000 | November 2022 | 3,000,000,000 | May 2023 |
| 2022 Third Tranche Short-term Financing Bills | December 2022 | 2.65% | 3,200,000,000 | December 2022 | 3,200,000,000 | September 2023 |
| 2022 Fourth Tranche Short-term Financing Bills | December 2022 | 2.80% | 4,000,000,000 | December 2022 | 4,000,000,000 | April 2023 |

Issue of securities during the Reporting Period:

Applicable Not applicable

Note 1: In July 2022, the Company issued the first tranche of its 2022 perpetual subordinated bonds with a total nominal amount of RMB5 billion and an interest rate of 3.59%. For the purpose of this tranche of bonds, renewal option is available for the issuer while no put-back option is available for the investors. That means, at the end of each repricing cycle of this tranche of bonds, the Company has the right to choose to extend the maturity of the bonds for one repricing cycle or pay the principal in full, while the investors have no right to require the Company to redeem the bonds.

Section VII Changes in Shares and Particulars of Shareholders

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

Applicable Not applicable

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

For changes in structure of asset and liability of the Company, please refer to "VI. PRINCIPAL OPERATION CONDITION DURING THE REPORTING PERIOD (I). Analysis of financial statements" in "Section III Discussion and Analysis of the Board of Directors" in this report.

(III) Existing internal employee Shares

Applicable Not applicable

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) Total number of Shareholders

| | |
|--|---------|
| Total number of holders of ordinary shares at the end of the Reporting Period | 175,086 |
| Total number of holders of ordinary shares at the end of the month immediately before the date of disclosure of the annual report | 175,947 |
| Total number of holders of preferred shares with voting rights restored at the end of the Reporting Period | – |
| Total number of holders of preferred shares with voting rights restored at the end of the month immediately before the date of disclosure of the annual report | – |

Note: The total number of Shareholders includes holders of ordinary A Shares and registered holders of H Shares. As at the end of the Reporting Period, there were 174,912 holders of A Shares and 174 registered holders of H Shares. The total number of Shareholders as at the end of the month immediately before the date of this annual report included 175,775 holders of A Shares and 172 registered holders of H Shares.

Section VII Changes in Shares and Particulars of Shareholders

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

Unit: share

| Names of Shareholders (full name) | Shareholdings of the top ten Shareholders | | | Number of shares subject to selling restrictions held | Pledged, marked or frozen Status | Number | Nature of Shareholders |
|---|--|---|----------------|---|----------------------------------|--------|---------------------------------------|
| | Increase or decrease during the Reporting Period | Number of shares held as at the end of the period | Percentage (%) | | | | |
| Shanghai State-owned Assets Management Co., Ltd. ^{Note 1} | - | 1,900,963,748 | 21.34 | - | Not | - | State-owned legal person |
| HKSCC Nominees Limited ^{Note 2} | +2,800 | 1,391,752,320 | 15.63 | - | Unknown | - | Overseas legal person |
| Shanghai International Group Co., Ltd. ^{Note 3} | - | 682,215,791 | 7.66 | - | Not | - | State-owned legal person |
| Shenzhen Investment Holdings Co., Ltd. | - | 609,428,357 | 6.84 | - | Not | - | State-owned legal person |
| China Securities Finance Corporation Limited | - | 260,547,316 | 2.93 | - | Not | - | Domestic non-state-owned legal person |
| Shanghai Municipal Investment (Group) Corporation | - | 246,566,512 | 2.77 | - | Not | - | State-owned legal person |
| Shenzhen Energy Group Co., Ltd. | - | 154,455,909 | 1.73 | - | Not | - | Domestic non-state-owned legal person |
| Hong Kong Securities Clearing Company Limited ^{Note 4} | -8,140,956 | 150,243,203 | 1.69 | - | Not | - | Overseas legal person |
| China Construction Bank Corporation - Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund | +4,253,128 | 91,921,304 | 1.03 | - | Not | - | Others |
| China National Nuclear Corporation | - | 76,292,793 | 0.86 | - | Not | - | State-owned legal person |

Section VII Changes in Shares and Particulars of Shareholders

Details of the top ten shareholders without selling restrictions^{Note 5}

| Names of Shareholders | Number of tradable shares without selling restrictions held | Class and number of shares | |
|---|---|---|---------------|
| | | Class | Number |
| Shanghai State-owned Assets Management Co., Ltd | 1,900,963,748 | RMB – denominated ordinary shares | 1,900,963,748 |
| HKSCC Nominees Limited | 1,391,752,320 | Overseas Listed foreign-invested shares | 1,391,752,320 |
| Shanghai International Group Co., Ltd. | 682,215,791 | RMB – denominated ordinary shares | 682,215,791 |
| Shenzhen Investment Holdings Co., Ltd. | 609,428,357 | RMB – denominated ordinary shares | 609,428,357 |
| China Securities Finance Corporation Limited | 260,547,316 | RMB – denominated ordinary shares | 260,547,316 |
| Shanghai Municipal Investment (Group) Corporation | 246,566,512 | RMB – denominated ordinary shares | 246,566,512 |
| Shenzhen Energy Group Co., Ltd. | 154,455,909 | RMB – denominated ordinary shares | 154,455,909 |
| Hong Kong Securities Clearing Company Limited | 150,243,203 | RMB – denominated ordinary shares | 150,243,203 |
| China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund | 91,921,304 | RMB – denominated ordinary shares | 91,921,304 |
| China National Nuclear Corporation | 76,292,793 | RMB – denominated ordinary shares | 76,292,793 |
| Description on the special repurchase accounts under the top ten shareholders | Not applicable | | |
| Description on the voting rights entrusted by or to, or waived by the above shareholders | The Company is not aware of any such arrangements about shareholders | | |
| Description on the relations or acting-in-concert arrangements among the Shareholders above | Shanghai State-owned Assets Management Co., Ltd is a wholly owned subsidiary of Shanghai International Group Co., Ltd.. HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are both wholly owned subsidiaries of The Stock Exchange of Hong Kong Limited, holding H Shares and A Shares of the Company for H shares investors and Shanghai Connect investors. Save as disclosed herein, the Company is not aware of any other relations or acting-in-concert arrangements | | |
| Description on the holders of preferred shares with voting rights restored and their shareholdings | Not applicable | | |

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

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

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

Note 4: Hong Kong Securities Clearing Company Limited is the nominee holder of Shanghai Connect investors holding A Shares of the Company.

Note 5: The Shares subject to selling restrictions and the Shareholders subject to selling restrictions as referred to herein are those as defined under the SSE Listing Rules.

Section VII Changes in Shares and Particulars of Shareholders

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

Applicable Not applicable

Unit: share

| No. | Names of shareholders holding shares subject to selling restrictions | Number of shares subject to selling restrictions held | Listing and trading of shares subject to selling restrictions | | Selling restrictions |
|---|--|---|---|---|----------------------|
| | | | The date on which shares becoming tradable | Increase in the number of tradable shares | |
| 1 | LI Junjie | 599,686 | See note for details | - | See note for details |
| 2 | WANG Song | 483,740 | See note for details | - | See note for details |
| 3 | JIANG Yiming | 435,500 | See note for details | - | See note for details |
| 4 | CHEN Yutao | 435,500 | See note for details | - | See note for details |
| 5 | XIE Lebin | 398,650 | See note for details | - | See note for details |
| 6 | LUO Dongyuan | 398,650 | See note for details | - | See note for details |
| 7 | JIANG Wei | 398,650 | See note for details | - | See note for details |
| 8 | YU Jian | 398,650 | See note for details | - | See note for details |
| 9 | ZHANG Zhihong | 398,650 | See note for details | - | See note for details |
| 10 | ZHANG Zhiming | 398,650 | See note for details | - | See note for details |
| 11 | ZHAO Hong | 398,650 | See note for details | - | See note for details |
| 12 | YU Feng | 398,650 | See note for details | - | See note for details |
| Description on the relations or acting-in-concert arrangements among the Shareholders above | | The Company is not aware of any other relations or acting-in-concert arrangements | | | |

Note: The above Shares subject to selling restrictions represent the Shares granted by the Company to the Incentive Participants due to the implementation of the Restricted Share Incentive Scheme of A Shares. Details on the listing and trading of the shares subject to selling restrictions and such selling restrictions are available in the relevant announcements issued by the Company on 12 August 2020, 29 September 2021 and 29 November 2022.

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

Applicable Not applicable

Section VII Changes in Shares and Particulars of Shareholders

IV. INFORMATION ON CONTROLLING SHAREHOLDERS

1 Information on Controlling Shareholders

(I) Legal persons

Applicable Not applicable

| | |
|---|--|
| Name | Shanghai International Group Co., Ltd. |
| Person in charge or legal representative | Yu Beihua |
| Date of establishment | 20 April 2000 |
| Principal operations | Principally engaged in the activities of investment, capital operation and asset management in the financial sector and supplemented with non-financial sectors |
| Equity interests in other domestic and overseas listed controlling and invested companies during the Reporting Period | Holding 29.67% in aggregate as at the end of the Reporting Period of Shanghai Pudong Development Bank Co., Ltd. (600000.SH). Holding 10.57% in aggregate as at the end of the Reporting Period of China Pacific Insurance (Group) Co., Ltd.(601601.SH, 2601.HK). Holding 9.42% in aggregate as at the end of the Reporting Period of Shanghai Rural Commercial Bank Co., Ltd. (601825.SH). |
| Other matters | Nil |

2 Natural persons

Applicable Not applicable

3 Special explanation on the Company not having controlling shareholders

Applicable Not applicable

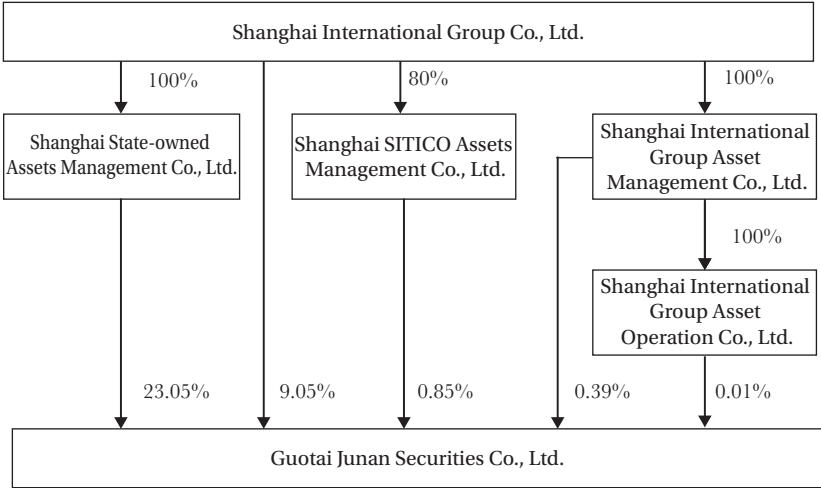
4 Explanation on changes in controlling shareholders during the Reporting Period

Applicable Not applicable

Section VII Changes in Shares and Particulars of Shareholders

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

Applicable Not applicable



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

Applicable Not applicable

(II) Other Information on the Controlling Shareholder

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Section VII Changes in Shares and Particulars of Shareholders

VII. MATTERS REGARDING THE RESTRICTION OF REDUCING SHARES

Applicable Not applicable

VIII. SPECIFIC IMPLEMENTATION OF SHARE REPURCHASE DURING THE REPORTING PERIOD

Applicable Not applicable

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

As of 31 December 2022, to the best knowledge of the Company, the following persons have interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or are required to be recorded, in the register that is required to be kept by the Company under Section 336 of the SFO or own directly or indirectly 5% or more of the nominal value of any class of the Shares:

| Substantial Shareholders | Nature of Interest | Class | Number ^{Note 1} / Nature of Shares Directly or Indirectly Held | As an | As an |
|--|---|----------|--|--|---|
| | | | | Approximate Percentage of the Relevant Class of Shares (%) | Approximate Percentage of the Total Issued Share Capital (%) |
| Shanghai International Group Co., Ltd. | Beneficial owner | A Shares | 682,215,791/ Long positions | 9.08 | 7.66 |
| | Beneficial owner | H Shares | 124,000,000/ Long positions | 8.91 | 1.39 |
| | Interest held by controlled corporations | A Shares | 2,012,109,666/ Long positions ^{Note 2} | 26.78 | 22.59 |
| | Interest held by controlled corporations | H Shares | 152,000,000/ Long positions ^{Note 3} | 10.92 | 1.71 |
| Shanghai State-owned Assets Management Co., Ltd | Beneficial owner | A Shares | 1,900,963,748/ Long positions | 25.30 | 21.34 |
| | Beneficial owner | H Shares | 152,000,000/ Long positions | 10.92 | 1.71 |

Section VII Changes in Shares and Particulars of Shareholders

| Substantial Shareholders | Nature of Interest | Class | Number ^{Note 1/} | As an | As an |
|--|--|----------|--|--|--|
| | | | Nature of Shares Directly or Indirectly Held | Approximate Percentage of the Relevant Class of Shares (%) | Approximate Percentage of the Total Issued Share Capital (%) |
| Shenzhen Investment Holdings Co., Ltd. | Beneficial owner | A Shares | 609,428,357/ Long positions | 8.11 | 6.84 |
| | Interest held by controlled corporations | H Shares | 103,373,800/ Long positions ^{Note 4} | 7.43 | 1.16 |
| SIHC Hong Kong Investment Holdings Limited (深圳投控香港投資控股有限公司) | Beneficial owner | H Shares | 103,373,800/ Long positions | 7.43 | 1.16 |
| New China Asset Management (Hong Kong) Limited | Beneficial owner | H Shares | 258,388,000/ Long positions | 18.56 | 2.90 |
| New China Asset Management Company Limited | Interest held by controlled corporations | H Shares | 258,388,000/ Long positions ^{Note 5} | 18.56 | 2.90 |
| New China Life Insurance Company Ltd. | Interest held by controlled corporations | H Shares | 258,388,000/ Long positions ^{Note 5} | 18.56 | 2.90 |
| Diamond Acquisition Co SARL | Beneficial owner | H Shares | 190,333,000/ Long positions ^{Note 6} | 13.68 | 2.14 |
| A9 USD (Feeder)L.P. | Interest held by controlled corporations | H Shares | 190,333,000/ Long positions ^{Note 6} | 13.68 | 2.14 |

Section VII Changes in Shares and Particulars of Shareholders

| Substantial Shareholders | Nature of Interest | Class | Number ^{Note 1} / | As an | As an |
|--|--|----------|--|-----------------|---------------|
| | | | Nature of | Approximate | Approximate |
| | | | Shares Directly | Percentage of | Percentage of |
| | | | or Indirectly Held | the Relevant | the Total |
| | | | | Class of Shares | Issued Share |
| | | | | (%) | Capital |
| | | | | | (%) |
| Apax Guernsey (Holdco) PCC Limited | Interest held by controlled corporations | H Shares | 190,333,000/ Long positions ^{Note 6} | 13.68 | 2.14 |
| Apax IX GP Co. Limited | Interest held by controlled corporations | H Shares | 190,333,000/ Long positions ^{Note 6} | 13.68 | 2.14 |
| Apax IX USD GP L.P. Inc. | Interest held by controlled corporations | H Shares | 190,333,000/ Long positions ^{Note 6} | 13.68 | 2.14 |
| Apax IX USD L.P. | Interest held by controlled corporations | H Shares | 190,333,000/ Long positions ^{Note 6} | 13.68 | 2.14 |
| Diamond Holding SARL | Interest held by controlled corporations | H Shares | 190,333,000/ Long positions ^{Note 6} | 13.68 | 2.14 |
| Jacqueline Mary Le Maitre-Ward | Trustee of a trust | H Shares | 190,333,000/ Long positions ^{Note 6} | 13.68 | 2.14 |
| David Payne Staples | Trustee of a trust | H Shares | 190,333,000/ Long positions ^{Note 6} | 13.68 | 2.14 |
| Newton Industrial Limited | Beneficial owner | H Shares | 100,000,000/ Long positions | 7.18 | 1.12 |
| Shenzhen Energy Group Co., Ltd. | Interest held by controlled corporations | H Shares | 100,000,000/ Long positions ^{Note 7} | 7.18 | 1.12 |
| Shanghai Ningquan Asset Management Co., Ltd. | Beneficial owner | H Shares | 97,702,600/ Long positions | 7.02 | 1.10 |

Section VII Changes in Shares and Particulars of Shareholders

- Note 1: Pursuant to Section 336 of the SFO, Shareholders shall submit forms to disclose their interests when certain conditions are met. As Shareholders are not required to inform the Company and the Hong Kong Stock Exchange of any changes in their shareholdings in the Company unless certain conditions are met, the latest shareholdings of substantial Shareholders may be inconsistent with the shareholdings reported to the Hong Kong Stock Exchange.
- Note 2: As at 31 December 2022, Shanghai SA, Shanghai International Group Asset Management Co., Ltd., Shanghai International Group Asset Operation Co., Ltd. and Shanghai SITICO Assets Management Co., Ltd. were interested in 1,900,963,748, 34,732,152, 931,505 and 75,482,261 A Shares respectively. Shanghai SA, Shanghai International Group Asset Management Co., Ltd. and Shanghai International Group Asset Operation Co., Ltd. are wholly-owned subsidiaries of International Group, and Shanghai SITICO Assets Management Co., Ltd. is a subsidiary in which International Group holds a 80% interest. Therefore, International Group is deemed to be interested in the 2,012,109,666 A Shares held by Shanghai SA, Shanghai International Group Asset Management Co., Ltd., Shanghai International Group Asset Operation Co., Ltd. and Shanghai SITICO Assets Management Co., Ltd. for the purpose of the SFO.
- Note 3: Shanghai SA is a wholly-owned subsidiary of International Group. Therefore, International Group is deemed to be interested in the 152,000,000 H Shares held by Shanghai SA for the purpose of the SFO.
- Note 4: SIHC Hong Kong Investment Holdings Limited (深圳投控香港投資控股有限公司) is a wholly-owned subsidiary of Shenzhen Investment Holdings Co., Ltd.. Therefore, Shenzhen Investment Holdings Co., Ltd. is deemed to be interested in the 103,373,800 H Shares held by SIHC Hong Kong Investment Holdings Limited (深圳投控香港投資控股有限公司) for the purpose of the SFO.
- Note 5: New China Asset Management Company Limited holds 60% equity interest in New China Asset Management (Hong Kong) Limited, and New China Life Insurance Company Ltd. owns 99.4% equity interest in New China Asset Management Company Limited. Therefore, New China Life Insurance Company Ltd. and New China Asset Management Company Limited are deemed to be interested in the 258,388,000 H Shares held by New China Asset Management (Hong Kong) Limited for the purpose of the SFO.
- Note 6: Diamond Acquisition Co SARL is wholly owned by Diamond Holding SARL. Apax IX USD L.P. is the beneficial owner of 73.8% of the equity interest in Diamond Holding SARL. A9 USD (Feeder) L.P. contributed 44.9% of the capital of Apax IX USD L.P.. Apax IX USD GP L.P. Inc. is the general partner of Apax IX USD L.P. and A9 USD (Feeder) L.P.. Apax IX GP Co. Limited is the general partner of Apax IX USD GP L.P. Inc.. Apax IX GP Co. Limited is wholly owned by Apax Guernsey (Holdco) PCC Limited. The equity interest in Apax Guernsey (Holdco) PCC Limited is held by Jacqueline Mary Le Maitre-Ward and David Payne Staples as trustees of the Hirzel IV Purpose Trust. Accordingly, each of Diamond Holding SARL, Apax IX USD L.P., Apax IX USD GP L.P. Inc., Apax IX GP Co. Limited, Apax Guernsey (Holdco) PCC Limited, A9 USD (Feeder) L.P., Jacqueline Mary Le Maitre-Ward and David Payne Staples are deemed to be interested in the 190,333,000 H Shares held by Diamond Acquisition Co SARL for the purpose of the SFO.
- Note 7: Newton Industrial Limited is wholly owned by Shenzhen Energy Group Co., Ltd.. Therefore, Shenzhen Energy Group Co., Ltd. is deemed to be interested in 100,000,000 H Shares held by Newton Industrial Limited for the purpose of the SFO.

Save as disclosed above, as at 31 December 2022, the Company was not aware of any other person (other than the directors, supervisors and chief executive of the Company) having any interests or short positions in the shares or underlying shares of the Company which are required to be recorded in the register under Section 336 of the SFO.

Section VII Changes in Shares and Particulars of Shareholders

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

As of the end of 2022, details on restricted shares granted to some Directors of the Company due to the Company's implementation of the Restricted Share Incentive Scheme of A Shares are as follows:

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

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

Section VII Changes in Shares and Particulars of Shareholders

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

1. Repurchase and Cancellation of Certain Restricted A Shares

Please see “XI. The Equity Incentive Scheme, Employee Share Scheme or Other Employee Incentives of the Company and the Impact Thereof” in “Section IV Corporate Governance”.

2. Repurchase of shares by Guotai Junan International

According to the general mandate of Guotai Junan International to repurchase shares granted at the general meeting, in 2022, Guotai Junan International repurchased 65,000,000 shares on the Hong Kong Stock Exchange with an amount of HK\$56,882,343.34 (including transaction costs). All the repurchased shares were cancelled during the year.

| Month | Number of repurchases (shares) | Highest transaction price (HKD/share) | Lowest transaction price (HKD/share) | Total amount (HKD, including transaction costs) |
|-------------|--------------------------------|---------------------------------------|--------------------------------------|---|
| April 2022 | 1,180,000 | 0.84 | 0.80 | 976,415.36 |
| May 2022 | 30,059,000 | 0.87 | 0.81 | 25,468,775.25 |
| June 2022 | 27,170,000 | 0.97 | 0.85 | 24,643,902.44 |
| July 2022 | 5,940,000 | 0.93 | 0.84 | 5,255,088.32 |
| August 2022 | 651,000 | 0.83 | 0.81 | 538,161.97 |

On 14 January 2022, Guotai Junan International redeemed its outstanding 4.25% notes due 2022 with an aggregate principal amount of US\$200,000,000, the redemption price equaled to 100% of the principal amount plus accrued and unpaid interest.

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

Section VII Changes in Shares and Particulars of Shareholders

XII. PUBLIC FLOAT

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

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

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

XIII. EQUITY-LINKED AGREEMENTS

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

XIV. PRE-EMPTIVE RIGHT ARRANGEMENT

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

Section VIII Preferred Shares

Applicable Not applicable

Section IX Corporate Bonds

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

√ Applicable □ Not applicable

(I) Enterprise bonds

□ Applicable √ Not applicable

(II) Corporate bonds

√ Applicable □ Not applicable

1. Basic information of corporate bonds

Unit: yuan Currency: RMB

| Name of bond | Abbreviation | Bond code | Issue date | Interest commencement date | Maturity date | Outstanding amount | Interest Rate(%) | Method of repayment of principal and payment of interests | Place of trading | Arrangement to ensure the suitability of investors | Trading mechanism | Whether there is a risk of the listing and trading of bonds being terminated? (Y/N) |
|---|--------------|-----------|------------|----------------------------|---------------|--------------------|------------------|---|---|--|---|---|
| 2018 Corporate Bonds (Third Tranche) (Type II) | 18 GUOJUN G4 | 143733 | 2018/7/12 | 2018/7/16 | 2023/7/16 | 300,000,000 | 4.64 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| Non-public Issuance of 2019 Perpetual Subordinated Bonds (First Tranche) <small>Note 1</small> | 19 GUOJUN Y1 | 162167 | 2019/9/20 | 2019/9/23 | - | 5,000,000,000 | 4.20 | Interest payable on annual basis provided that the issuer does not exercise the right to defer interest payment | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| Non-public Issuance of 2020 Perpetual Subordinated Bonds (First Tranche) <small>Note 1</small> | 20 GUOJUN Y1 | 166204 | 2020/3/9 | 2020/3/11 | - | 5,000,000,000 | 3.85 | Interest payable on annual basis provided that the issuer does not exercise the right to defer interest payment | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |

Section IX Corporate Bonds

| Name of bond | Abbreviation | Bond code | Issue date | Interest commencement date | Maturity date | Outstanding amount | Interest Rate(%) | Method of repayment of principal and payment of interests | Place of trading | Arrangement to ensure the suitability of investors | Trading mechanism | Whether there is a risk of the listing and trading of bonds being terminated? (Y/N) |
|--|--------------|-----------|------------|----------------------------|---------------|--------------------|------------------|---|---|--|---|---|
| 2020 Corporate Bonds (Third Tranche) | 20 GUOJUN G4 | 163756 | 2020/7/20 | 2020/7/22 | 2023/7/22 | 5,000,000,000 | 3.55 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2020 Corporate Bonds (Fourth Tranche) | 20 GUOJUN G5 | 175099 | 2020/9/2 | 2020/9/4 | 2023/9/4 | 4,000,000,000 | 3.75 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2020 Corporate Bonds (Fifth Tranche) (Type II) | 20 GUOJUN G7 | 175463 | 2020/11/19 | 2020/11/23 | 2023/11/23 | 2,000,000,000 | 3.90 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2020 Corporate Bonds (Sixth Tranche) (Type II) | 20 GUOJUN G9 | 175521 | 2020/12/3 | 2020/12/7 | 2023/12/7 | 2,900,000,000 | 3.77 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Subordinated Bonds (First Tranche) | 21 GUOJUN C1 | 175684 | 2021/1/21 | 2021/1/25 | 2024/1/25 | 3,000,000,000 | 3.89 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |

Section IX Corporate Bonds

| Name of bond | Abbreviation | Bond code | Issue date | Interest commencement date | Maturity date | Outstanding amount | Interest Rate(%) | Method of repayment of principal and payment of interests | Place of trading | Arrangement to ensure the suitability of investors | Trading mechanism | Whether there is a risk of the listing and trading of bonds being terminated? (Y/N) |
|---|--------------|-----------|------------|----------------------------|---------------|--------------------|------------------|---|---|--|---|---|
| 2021 Corporate Bonds (First Tranche) (Type I) | 21 GUOJUN G1 | 175987 | 2021/4/13 | 2021/4/15 | 2024/4/15 | 4,000,000,000 | 3.46 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Corporate Bonds (First Tranche) (Type II) | 21 GUOJUN G2 | 175988 | 2021/4/13 | 2021/4/15 | 2026/4/15 | 2,000,000,000 | 3.75 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Corporate Bonds (Second Tranche) (Type I) | 21 GUOJUN G3 | 188127 | 2021/5/19 | 2021/5/21 | 2024/5/21 | 3,000,000,000 | 3.31 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Corporate Bonds (Second Tranche) (Type II) | 21 GUOJUN G4 | 188128 | 2021/5/19 | 2021/5/21 | 2026/5/21 | 5,000,000,000 | 3.67 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Corporate Bonds (Third Tranche) (Type I) | 21 GUOJUN G5 | 188215 | 2021/6/7 | 2021/6/9 | 2024/6/9 | 2,900,000,000 | 3.40 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |

Section IX Corporate Bonds

| Name of bond | Abbreviation | Bond code | Issue date | Interest commencement date | Maturity date | Outstanding amount | Interest Rate(%) | Method of repayment of principal and payment of interests | Place of trading | Arrangement to ensure the suitability of investors | Trading mechanism | Whether there is a risk of the listing and trading of bonds being terminated? (Y/N) |
|---|--------------|-----------|------------|----------------------------|---------------|--------------------|------------------|---|---|--|---|---|
| 2021 Corporate Bonds (Fourth Tranche) (Type I) | 21 GUOJUN G7 | 188431 | 2021/7/19 | 2021/7/21 | 2024/7/21 | 1,900,000,000 | 3.13 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Corporate Bonds (Fourth Tranche) (Type II) | 21 GUOJUN G8 | 188432 | 2021/7/19 | 2021/7/21 | 2026/7/21 | 6,100,000,000 | 3.48 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Corporate Bonds (Fifth Tranche) (Type I) | 21 GUOJUN G9 | 188496 | 2021/8/2 | 2021/8/4 | 2024/8/4 | 2,800,000,000 | 3.01 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Corporate Bonds (Fifth Tranche) (Type II) | 21 GUOJUN 10 | 188497 | 2021/8/2 | 2021/8/4 | 2026/8/4 | 4,200,000,000 | 3.35 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Corporate Bonds (Sixth Tranche) | 21 GUOJUN 11 | 188557 | 2021/8/10 | 2021/8/12 | 2031/8/12 | 3,000,000,000 | 3.77 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |

Section IX Corporate Bonds

| Name of bond | Abbreviation | Bond code | Issue date | Interest commencement date | Maturity date | Outstanding amount | Interest Rate(%) | Method of repayment of principal and payment of interests | Place of trading | Arrangement to ensure the suitability of investors | Trading mechanism | Whether there is a risk of the listing and trading of bonds being terminated? (Y/N) |
|---|--------------|-----------|------------|----------------------------|---------------|--------------------|------------------|---|---|--|---|---|
| 2021 Corporate Bonds (Seventh Tranche) (Type I) | 21 GUOJUN 12 | 188736 | 2021/9/9 | 2021/9/13 | 2024/10/17 | 4,400,000,000 | 3.09 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Corporate Bonds (Seventh Tranche) (Type II) | 21 GUOJUN 13 | 188737 | 2021/9/9 | 2021/9/13 | 2031/9/13 | 3,400,000,000 | 3.80 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Corporate Bonds (Eighth Tranche) (Type I) | 21 GUOJUN 14 | 188859 | 2021/10/12 | 2021/10/14 | 2024/11/17 | 3,300,000,000 | 3.29 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Corporate Bonds (Eighth Tranche) (Type II) | 21 GUOJUN 15 | 188860 | 2021/10/12 | 2021/10/14 | 2031/10/14 | 3,400,000,000 | 3.99 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2021 Subordinated Bonds (Second Tranche) (Type I) | 21 GUOJUN C2 | 185112 | 2021/12/7 | 2021/12/9 | 2023/12/9 | 4,000,000,000 | 3.09 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |

Section IX Corporate Bonds

| Name of bond | Abbreviation | Bond code | Issue date | Interest commencement date | Maturity date | Outstanding amount | Interest Rate(%) | Method of repayment of principal and payment of interests | Place of trading | Arrangement to ensure the suitability of investors | Trading mechanism | Whether there is a risk of the listing and trading of bonds being terminated? (Y/N) |
|--|--------------|-----------|------------|----------------------------|---------------|--------------------|------------------|---|---|--|---|---|
| 2021 Subordinated Bonds (Second Tranche) (Type II) | 21 GUOJUN C3 | 185108 | 2021/12/7 | 2021/12/9 | 2024/12/9 | 2,000,000,000 | 3.20 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2022 Subordinated Bonds (First Tranche) (Type I) | 22 GUOJUN C1 | 185212 | 2022/1/10 | 2022/1/12 | 2024/1/12 | 2,500,000,000 | 3.00 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2022 Subordinated Bonds (First Tranche) (Type II) | 22 GUOJUN C2 | 185222 | 2022/1/10 | 2022/1/12 | 2025/1/12 | 3,500,000,000 | 3.17 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2022 Corporate Bonds (First Tranche) (Type I) | 22 GUOJUN G1 | 185550 | 2022/3/14 | 2022/3/16 | 2025/3/16 | 2,000,000,000 | 3.04 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2022 Corporate Bonds (First Tranche) (Type II) | 22 GUOJUN G2 | 185554 | 2022/3/14 | 2022/3/16 | 2032/3/16 | 1,400,000,000 | 3.74 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |

Section IX Corporate Bonds

| Name of bond | Abbreviation | Bond code | Issue date | Interest commencement date | Maturity date | Outstanding amount | Interest Rate(%) | Method of repayment of principal and payment of interests | Place of trading | Arrangement to ensure the suitability of investors | Trading mechanism | Whether there is a risk of the listing and trading of bonds being terminated? (Y/N) |
|---|--------------|-----------|------------|----------------------------|---------------|--------------------|------------------|---|---|--|---|---|
| 2022 Corporate Bonds (Second Tranche) (Type I) | 22 GUOJUN G3 | 185711 | 2022/4/20 | 2022/4/22 | 2025/4/22 | 2,800,000,000 | 2.96 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2022 Corporate Bonds (Second Tranche) (Type II) | 22 GUOJUN G4 | 185712 | 2022/4/20 | 2022/4/22 | 2032/4/22 | 2,500,000,000 | 3.70 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2022 Corporate Bonds (Third Tranche) (Type I) | 22 GUOJUN G5 | 185814 | 2022/5/23 | 2022/5/25 | 2025/5/25 | 3,100,000,000 | 2.78 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2022 Corporate Bonds (Third Tranche) (Type II) | 22 GUOJUN G6 | 185815 | 2022/5/23 | 2022/5/25 | 2032/5/25 | 2,400,000,000 | 3.58 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2022 Corporate Bonds (Fourth Tranche) (Type I) | 22 GUOJUN G7 | 185973 | 2022/7/4 | 2022/7/6 | 2025/7/6 | 2,500,000,000 | 2.92 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |

Section IX Corporate Bonds

| Name of bond | Abbreviation | Bond code | Issue date | Interest commencement date | Maturity date | Outstanding amount | Interest Rate(%) | Method of repayment of principal and payment of interests | Place of trading | Arrangement to ensure the suitability of investors | Trading mechanism | Whether there is a risk of the listing and trading of bonds being terminated? (Y/N) |
|--|--------------|-----------|------------|----------------------------|---------------|--------------------|------------------|---|---|--|---|---|
| 2022 Corporate Bonds (Fourth Tranche) (Type II) | 22 GUOJUN G8 | 185974 | 2022/7/4 | 2022/7/6 | 2027/7/6 | 2,500,000,000 | 3.27 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2022 Perpetual Subordinated Bonds (First Tranche) <small>Note 1</small> | 22 GUOJUN Y1 | 137521 | 2022/7/11 | 2022/7/13 | - | 5,000,000,000 | 3.59 | Interest payable on annual basis provided that the issuer does not exercise the right to defer interest payment | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2022 Corporate Bonds (Fifth Tranche) (Type I) | 22 GUOJUN G9 | 137855 | 2022/9/20 | 2022/9/22 | 2025/9/22 | 2,000,000,000 | 2.52 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2022 Corporate Bonds (Fifth Tranche) (Type II) | 22 GUOJUN I0 | 137856 | 2022/9/20 | 2022/9/22 | 2027/9/22 | 3,000,000,000 | 2.90 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2022 Short-term Corporate Bonds (First Tranche) (Type I) | 22 GUOJUN S1 | 138642 | 2022/11/22 | 2022/11/24 | 2023/5/23 | 3,000,000,000 | 2.51 | Principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |

Section IX Corporate Bonds

| Name of bond | Abbreviation | Bond code | Issue date | Interest commencement date | Maturity date | Outstanding amount | Interest Rate(%) | Method of repayment of principal and payment of interests | Place of trading | Arrangement to ensure the suitability of investors | Trading mechanism | Whether there is a risk of the listing and trading of bonds being terminated? (Y/N) |
|---|--------------|-----------|------------|----------------------------|---------------|--------------------|------------------|---|---|--|---|---|
| 2023 Corporate Bonds (First Tranche) (Type I) | 23 GUOJUN G1 | 138806 | 2023/1/5 | 2023/1/9 | 2025/2/17 | 3,000,000,000 | 2.90 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2023 Corporate Bonds (First Tranche) (Type II) | 23 GUOJUN G2 | 138807 | 2023/1/5 | 2023/1/9 | 2026/1/9 | 3,000,000,000 | 3.07 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2023 Corporate Bonds (Second Tranche) (Type I) | 23 GUOJUN G3 | 138889 | 2023/2/13 | 2023/2/15 | 2025/2/15 | 1,500,000,000 | 2.92 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |
| 2023 Corporate Bonds (Second Tranche) (Type II) | 23 GUOJUN G4 | 138890 | 2023/2/13 | 2023/2/15 | 2026/2/15 | 4,500,000,000 | 3.16 | Interest payable on annual basis and principal repayable and accrued interest payable upon maturity | Fixed-income products platform of the Shanghai Stock Exchange | For professional investors | Matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction | N |

Section IX Corporate Bonds

| Name of bond | Abbreviation | Bond code | Issue date | Interest commencement date | Maturity date | Outstanding amount | Interest Rate(%) | Method of repayment of principal and payment of interests | Place of trading | Arrangement to ensure the suitability of investors | Trading mechanism | Whether there is a risk of the listing and trading of bonds being terminated? (Y/N) |
|--|------------------|-----------|------------|----------------------------|---------------|--------------------|------------------|---|--------------------------|--|--|---|
| Guotai Junan Financial Holdings Guaranteed MTN | GTJA HOLD N2604 | 40649.hk | 2021/4/14 | 2021/4/21 | 2026/4/21 | USD500,000,000 | 2.00 | Interest payable on semiannual basis and principal repayable and accrued interest payable upon maturity | Hong Kong Stock Exchange | For professional investors | Quotation, inquiry and agreement trading methods | N |
| Guotai Junan Financial Holdings Guaranteed MTN | GTJA HOLD N2411 | 40937.hk | 2021/11/17 | 2021/11/24 | 2024/11/24 | USD300,000,000 | 1.60 | Interest payable on semiannual basis and principal repayable and accrued interest payable upon maturity | Hong Kong Stock Exchange | For professional investors | Quotation, inquiry and agreement trading methods | N |
| Guotai Junan Financial Holdings Guaranteed MTN | GTJA HOLD N2603a | - | 2023/3/6 | 2023/3/10 | 2026/3/10 | 500,000,000 | 3.35 | Interest payable on semiannual basis and principal repayable and accrued interest payable upon maturity | - | For professional investors | Quotation, inquiry and agreement trading methods | N |
| Guotai Junan Financial Holdings Guaranteed MTN | GTJA HOLD N2603c | - | 2023/3/20 | 2023/3/23 | 2026/3/23 | 935,000,000 | 3.35 | Interest payable on semiannual basis and principal repayable and accrued interest payable upon maturity | - | For professional investors | Quotation, inquiry and agreement trading methods | N |
| Guotai Junan Financial Holdings Guaranteed MTN | GTJA HOLD N2603b | - | 2023/3/20 | 2023/3/24 | 2026/3/24 | 500,000,000 | 3.35 | Interest payable on semiannual basis and principal repayable and accrued interest payable upon maturity | - | For professional investors | Quotation, inquiry and agreement trading methods | N |

Note 1: Please see “The triggering and implementation of the issuer or investor option terms and the investor protection terms”.

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

Applicable Not applicable

Overdue and outstanding bonds

Applicable Not applicable

Section IX Corporate Bonds

Interest payment of corporate bonds during the Reporting Period

√ Applicable □ Not applicable

| Name of bond | Interest payment |
|--|--|
| 2020 Corporate Bonds (First Tranche) | the interest was paid on time in January 2022 |
| 2021 Short-term Corporate Bonds (First Tranche) (Type II) | the principal and interest were paid on time in January 2022 |
| 2021 Subordinated Bonds (First Tranche) | the interest was paid on time in January 2022 |
| Non-public Issuance of 2020 Perpetual Subordinated Bonds (First Tranche) | the interest was paid on time in March 2022 |
| 2020 Corporate Bonds (Second Tranche) (Type I) | the interest was paid on time in March 2022 |
| 2021 Corporate Bonds (First Tranche) (Type I) | the interest was paid on time in April 2022 |
| 2021 Corporate Bonds (First Tranche) (Type II) | the interest was paid on time in April 2022 |
| 2019 Corporate Bonds (First Tranche) (Type I) | the principal and interest were paid on time in April 2022 |
| 2019 Corporate Bonds (Second Tranche) | the principal and interest were paid on time in May 2022 |
| 2021 Corporate Bonds (Second Tranche) (Type I) | the interest was paid on time in May 2022 |
| 2021 Corporate Bonds (Second Tranche) (Type II) | the interest was paid on time in May 2022 |
| 2021 Short-term Corporate Bonds (Fourth Tranche) (Type I) | the principal and interest were paid on time in May 2022 |
| 2021 Corporate Bonds (Third Tranche) (Type I) | the interest was paid on time in June 2022 |
| 2021 Short-term Corporate Bonds (Second Tranche) | the principal and interest were paid on time in June 2022 |
| 2018 Corporate Bonds (Third Tranche) (Type II) | the interest was paid on time in July 2022 |
| 2021 Corporate Bonds (Fourth Tranche) (Type I) | the interest was paid on time in July 2022 |
| 2021 Corporate Bonds (Fourth Tranche) (Type II) | the interest was paid on time in July 2022 |
| 2020 Corporate Bonds (Third Tranche) | the interest was paid on time in July 2022 |
| 2021 Short-term Corporate Bonds (Third Tranche) | the principal and interest were paid on time in July 2022 |
| 2021 Corporate Bonds (Fifth Tranche) (Type I) | the interest was paid on time in August 2022 |
| 2021 Corporate Bonds (Fifth Tranche) (Type II) | the interest was paid on time in August 2022 |
| 2017 Corporate Bonds (First Tranche) (Type II) | the principal and interest were paid on time in August 2022 |
| 2021 Corporate Bonds (Sixth Tranche) | the interest was paid on time in August 2022 |
| 2020 Corporate Bonds (Fourth Tranche) | the interest was paid on time in September 2022 |
| 2021 Corporate Bonds (Seventh Tranche) (Type I) | the interest was paid on time in September 2022 |
| 2021 Corporate Bonds (Seventh Tranche) (Type II) | the interest was paid on time in September 2022 |
| Non-public Issuance of 2019 Perpetual Subordinated Bonds (First Tranche) | the interest was paid on time in September 2022 |
| 2021 Corporate Bonds (Eighth Tranche) (Type I) | the interest was paid on time in October 2022 |
| 2021 Corporate Bonds (Eighth Tranche) (Type II) | the interest was paid on time in October 2022 |
| 2019 Corporate Bonds (Third Tranche) | the principal and interest were paid on time in October 2022 |

Section IX Corporate Bonds

| Name of bond | Interest payment |
|--|---|
| 2021 Short-term Corporate Bonds (Fourth Tranche) (Type II) | the principal and interest were paid on time in October 2022 |
| 2020 Corporate Bonds (Fifth Tranche) (Type II) | the interest was paid on time in November 2022 |
| 2020 Corporate Bonds (Fifth Tranche) (Type I) | the principal and interest were paid on time in November 2022 |
| 2020 Corporate Bonds (Sixth Tranche) (Type II) | the interest was paid on time in December 2022 |
| 2021 Subordinated Bonds (Second Tranche) (Type I) | the interest was paid on time in December 2022 |
| 2021 Subordinated Bonds (Second Tranche) (Type II) | the interest was paid on time in December 2022 |
| GTJAI USD Medium Term Note (5518.HK) | the principal and interest were paid on time in January 2022 |
| Euro Floating Rate Bonds (GTJA SEC B2203) | the principal and interest were paid on time in March 2022 |
| Guotai Junan Financial Holdings Guaranteed Bonds (GTJA HOLD B2203) | the principal and interest were paid on time in March 2022 |
| Guotai Junan Financial Holdings Guaranteed MTN (GTJA HOLD N2604) | the interest was paid on time in April and October 2022 |
| Guotai Junan Financial Holdings Guaranteed MTN (GTJA HOLD N2411) | the interest was paid on time in May and November 2022 |

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

Applicable Not applicable

Issuer's right of redemption (i.e. on the fifth and every subsequent interest payment date of the bonds, the issuer shall have the right to redeem the bonds at the face value plus the interest payable) and (when specific conditions are met) issuer's option of redemption and right of deferring payment of interest are available for "19 GUOJUN Y1" and "20 GUOJUN Y1".

Issuer's option of renewal (i.e. at the end of each repricing cycle of the bonds, the issuer has the right to choose to extend the maturity of the bonds for one repricing cycle, or to pay the principal in full) and (when specific conditions are met) issuer's option of redemption and right of deferring payment of interest are available for "22 GUOJUN Y1".

As of the date of this report, "19 GUOJUN Y1", "20 GUOJUN Y1" and "22 GUOJUN Y1" have not triggered the issuer option as the exercise date has not yet reached. During the Reporting Period, the Company did not implement right of deferring payment of interest and paid the current interest of the bonds on time and in full.

Section IX Corporate Bonds

On 25 November 2021, the Company held the 2021 first extraordinary general meeting, the 2021 first A share class meeting and the 2021 first H share class meeting, at which the “Resolution on Proposing to Consider Repurchase and Cancellation of Part of Restricted A Shares” (《關於提請審議回購註銷部分 A 股限制性股票的議案》) was considered and approved, pursuant to which the Company repurchased and cancelled a total of 1,778,000 restricted A Shares that have been granted but have not been unlocked held by certain participants who were no longer eligible as a participant, and disclosed on the same day the “Announcement by Guotai Junan Securities Co., Ltd. on Notice to Creditors Regarding the Repurchase and Cancellation of Part of the Restricted A Shares to Reduce Registered Capital (《國泰君安證券股份有限公司關於回購註銷部分 A 股限制性股票減少註冊資本通知債權人的公告》)”, which notified creditors of the above matters.

3. Intermediaries providing services for bond issuance and duration business

| Name of intermediary | Office address | Name of signing accountants | Contact persons | Telephone |
|---|--|-----------------------------------|--|--------------------------------|
| Essence Securities Co. Ltd. | Essence Financial Building No. 119, Fuhua Yi Road, Futian Street, Futian District, Shenzhen | - | ZHUANG Guochun, LI Zeyan, XIE Fengjie | 0755-82825447 |
| CSC Financial Co., Ltd. | Suite 2203, North Tower, Shanghai Stock Exchange Building, 528 Pudong South Road, Shanghai | - | ZHOU Wei, LI Huayun, DONG Yan | 021-68801581 |
| GF Securities Co., Ltd. | 37/F, Taikang Insurance Building, No. 429 Nanquan North Road, Pudong New Area, Shanghai | - | YAN Jin, MA Qian, LU Yicheng | 020-66338888 |
| Industrial Securities Co., Ltd. | 6/F, East Tower, Lilacs International Commercial Center, 36 Changliu Road, Pudong New Area, Shanghai | - | YANG Lingshan | 021-38565900 |
| China Merchants Securities Co., Ltd. | 27/F, China Merchants Securities Building, No. 111, Fuhua Yi Road, Futian District, Shenzhen | - | HUANG Jian | 0755-82943666 |
| Shenwan Hongyuan Securities Co., Ltd. | 39/F, The Center, 989 Changle Road, Xuhui District, Shanghai | - | WANG Hongzhi, DING Tianshuo, LIU Qiuyan | 021-33389888 |
| Guosen Securities Co., Ltd. | 16/F to 26/F, Guosen Securities Mansion, No. 1012 Hongling Middle Road, Luohu District, Shenzhen | - | YANG Yang, LI Bo, ZHAN Peng, YANG Zhihao | 0755-82131518 0755-81982136 |
| Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. | 14/F, Huasheng Building, No. 398 Hankou Road, Shanghai | - | LIU Tingting | 021-63229686 |
| Haiwen & Partners | Unit 2605, Kerry Center Tower 1, 1515 Nanjing West Road, Jingan District, Shanghai | - | MOU Jian, XIAO Junyan | 021-60435123 |
| Jia Yuan Law Offices, Beijing | F408, Ocean Plaza, 158 Fuxing Men Nei Avenue, Xicheng District, Beijing | - | LIU Jing | 010-66413377 |
| KPMG Huazhen LLP | 8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing | ZOU Jun, WANG Guobei, YU Jingjing | WANG Guobei, YU Jingjing | 021-22122428 021-22122276 |
| Ernst & Young Hua Ming LLP | 16/F, Ernst & Young Building, 1 East Chang'an Avenue, Dongcheng District, Beijing | MAO Anning, LI Fei, CHEN Qi | MAO Anning, LI Fei, CHEN Qi | 021-22283118 021-22284218 |

Section IX Corporate Bonds

Changes in the above intermediaries

Applicable Not applicable

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

Applicable Not applicable

Unit: yuan Currency: RMB

| Name of bond | Total amount of proceeds | Amount used | Amount unused | Operation of the special account for proceeds | Rectification of illegal use of proceeds | Whether it is consistent with the purpose, use plan and other agreements set out in the prospectus |
|--|-----------------------------|---------------|------------------|--|--|--|
| | | | | | | |
| 2018 Corporate Bonds (Third Tranche) (Type II) | 300,000,000 | 300,000,000 | - | Normal | Nil | Yes |
| Non-public Issuance of 2019 Perpetual Subordinated Bonds (First Tranche) | 5,000,000,000 | 5,000,000,000 | - | Normal | Nil | Yes |
| 2020 Corporate Bonds (First Tranche) | 4,000,000,000 | 4,000,000,000 | - | Normal | Nil | Yes |
| Non-public Issuance of 2020 Perpetual Subordinated Bonds (First Tranche) | 5,000,000,000 | 5,000,000,000 | - | Normal | Nil | Yes |
| 2020 Corporate Bonds (Second Tranche) (Type I) | 4,000,000,000 | 4,000,000,000 | - | Normal | Nil | Yes |
| 2020 Corporate Bonds (Third Tranche) | 5,000,000,000 | 5,000,000,000 | - | Normal | Nil | Yes |
| 2020 Corporate Bonds (Fourth Tranche) | 4,000,000,000 | 4,000,000,000 | - | Normal | Nil | Yes |
| 2020 Corporate Bonds (Fifth Tranche) (Type II) | 2,000,000,000 | 2,000,000,000 | - | Normal | Nil | Yes |
| 2020 Corporate Bonds (Sixth Tranche) (Type II) | 2,900,000,000 | 2,900,000,000 | - | Normal | Nil | Yes |
| 2021 Subordinated Bonds (First Tranche) | 3,000,000,000 | 3,000,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (First Tranche) (Type I) | 4,000,000,000 | 4,000,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (First Tranche) (Type II) | 2,000,000,000 | 2,000,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (Second Tranche) (Type I) | 3,000,000,000 | 3,000,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (Second Tranche) (Type II) | 5,000,000,000 | 5,000,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (Third Tranche) (Type I) | 2,900,000,000 | 2,900,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (Fourth Tranche) (Type I) | 1,900,000,000 | 1,900,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (Fourth Tranche) (Type II) | 6,100,000,000 | 6,100,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (Fifth Tranche) (Type I) | 2,800,000,000 | 2,800,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (Fifth Tranche) (Type II) | 4,200,000,000 | 4,200,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (Sixth Tranche) | 3,000,000,000 | 3,000,000,000 | - | Normal | Nil | Yes |

Section IX Corporate Bonds

| Name of bond | Total amount of proceeds | Amount used | Amount unused | Operation of the special account for proceeds | Rectification of illegal use of proceeds | Whether it is consistent with the purpose, use plan and other agreements set out in the prospectus |
|--|-----------------------------|----------------|------------------|--|--|--|
| | | | | | | |
| 2021 Corporate Bonds (Seventh Tranche) (Type I) | 4,400,000,000 | 4,400,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (Seventh Tranche) (Type II) | 3,400,000,000 | 3,400,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (Eighth Tranche) (Type I) | 3,300,000,000 | 3,300,000,000 | - | Normal | Nil | Yes |
| 2021 Corporate Bonds (Eighth Tranche) (Type II) | 3,400,000,000 | 3,400,000,000 | - | Normal | Nil | Yes |
| 2021 Subordinated Bonds (Second Tranche) (Type I) | 4,000,000,000 | 4,000,000,000 | - | Normal | Nil | Yes |
| 2021 Subordinated Bonds (Second Tranche) (Type II) | 2,000,000,000 | 2,000,000,000 | - | Normal | Nil | Yes |
| 2022 Subordinated Bonds (First Tranche) (Type I) | 2,500,000,000 | 2,500,000,000 | - | Normal | Nil | Yes |
| 2022 Subordinated Bonds (First Tranche) (Type II) | 3,500,000,000 | 3,500,000,000 | - | Normal | Nil | Yes |
| 2022 Corporate Bonds (First Tranche) (Type I) | 2,000,000,000 | 2,000,000,000 | - | Normal | Nil | Yes |
| 2022 Corporate Bonds (First Tranche) (Type II) | 1,400,000,000 | 1,400,000,000 | - | Normal | Nil | Yes |
| 2022 Corporate Bonds (Second Tranche) (Type I) | 2,800,000,000 | 2,800,000,000 | - | Normal | Nil | Yes |
| 2022 Corporate Bonds (Second Tranche) (Type II) | 2,500,000,000 | 2,500,000,000 | - | Normal | Nil | Yes |
| 2022 Corporate Bonds (Third Tranche) (Type I) | 3,100,000,000 | 3,100,000,000 | - | Normal | Nil | Yes |
| 2022 Corporate Bonds (Third Tranche) (Type II) | 2,400,000,000 | 2,400,000,000 | - | Normal | Nil | Yes |
| 2022 Corporate Bonds (Fourth Tranche) (Type I) | 2,500,000,000 | 2,500,000,000 | - | Normal | Nil | Yes |
| 2022 Corporate Bonds (Fourth Tranche) (Type II) | 2,500,000,000 | 2,500,000,000 | - | Normal | Nil | Yes |
| 2022 Perpetual Subordinated Bonds (First Tranche) | 5,000,000,000 | 5,000,000,000 | - | Normal | Nil | Yes |
| 2022 Corporate Bonds (Fifth Tranche) (Type I) | 2,000,000,000 | 2,000,000,000 | - | Normal | Nil | Yes |
| 2022 Corporate Bonds (Fifth Tranche) (Type II) | 3,000,000,000 | 3,000,000,000 | - | Normal | Nil | Yes |
| 2022 Short-term Corporate Bonds (First Tranche) (Type I) | 3,000,000,000 | 3,000,000,000 | - | Normal | Nil | Yes |
| Guotai Junan Financial Holdings Guaranteed MTN (GTJA HOLD N2604) | USD500,000,000 | USD500,000,000 | - | N/A | Nil | Yes |
| Guotai Junan Financial Holdings Guaranteed MTN (GTJA HOLD N2411) | USD300,000,000 | USD300,000,000 | - | N/A | Nil | Yes |

Section IX Corporate Bonds

The progress and operational benefits of proceeds used for construction projects

Applicable Not applicable

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

Applicable Not applicable

Other explanations

Applicable Not applicable

5. Adjustment of credit ratings

Applicable Not applicable

Other Information

Applicable Not applicable

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

Applicable Not applicable

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

7. Other information of the corporate bonds

Applicable Not applicable

Section IX Corporate Bonds

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Section IX Corporate Bonds

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

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

| Major indicators | 2022 | 2021 | Increase/decrease for the Reporting Period as compared with the corresponding period of last year(%) | Reasons for change |
|---|---------------|----------------|--|---|
| Net profit after deducting non-recurring gains and losses attributable to equity holders of the Company | 9,506,557,804 | 13,531,044,928 | -29.74 | Mainly due to the decline in income from wealth management business and trading investment business as a result of the impact of the securities market conditions |
| Current ratio (%) | 139 | 144 | Decrease by 5 percentage points | / |
| Quick ratio (%) | 139 | 144 | Decrease by 5 percentage points | / |
| Gearing ratio (%) | 75.36 | 75.64 | Decrease by 0.28 percentage points | / |
| Debt-to-EBITDA ratio | 0.05 | 0.06 | -16.67 | / |
| Interest coverage ratio | 2.31 | 2.88 | -19.79 | / |
| Cash interest coverage ratio | 6.06 | 2.38 | 154.62 | Mainly due to an increase in net cash flows from operating activities |
| EBITDA interest coverage ratio | 2.43 | 3.00 | -19.00 | / |
| Loan repayment ratio (%) | 100 | 100 | - | / |
| Interest repayment ratio (%) | 100 | 100 | - | / |

Section IX Corporate Bonds

II. CONVERTIBLE CORPORATE BONDS

Applicable Not applicable

(I) Issuance of Convertible Bonds

Applicable Not applicable

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

Applicable Not applicable

| | | |
|--|--|---|
| Name of convertible corporate bond | GTJA Bond | |
| Number of Convertible Bond holders at the end of the period | 7,405 | |
| Guarantors of Convertible Bonds | - | |
| Top ten Convertible Bond holders are as below: | | |
| | Bonds held at the end of the period (RMB) | Percentage of bonds held (%) |
| Name of convertible corporate bond holders | | |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Bank of China) | 698,973,000 | 10.00 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Industrial and Commercial Bank of China) | 456,249,000 | 6.53 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Everbright Securities Co., Ltd) | 370,780,000 | 5.30 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Construction Bank of China) | 354,752,000 | 5.08 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (CITIC Securities Co., Ltd.) | 172,335,000 | 2.47 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Securities Co., Ltd.) | 134,149,000 | 1.92 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (China Merchants Bank Co., Ltd.) | 133,563,000 | 1.91 |
| Specific accounts for bonds repurchase and pledge under the Registration and Settlement System (Shanghai Pudong Development Bank) | 105,941,000 | 1.52 |
| GF Fund – Agricultural Bank – GF Fund Blue Chip Selected No. 1 Collective Asset Management Plan | 101,205,000 | 1.45 |
| Basic Pension Insurance Fund Portfolio 107 (基本養老保險基金一零七組合) | 99,169,000 | 1.42 |

Section IX Corporate Bonds

(III) Change of Convertible Bonds during the Reporting Period

Applicable Not applicable

Unit: yuan Currency: RMB

| Name of convertible corporate bonds | Before change | Increase/decrease | | | After change |
|-------------------------------------|---------------|-------------------|----------|-----------|---------------|
| | | Converted | Redeemed | Sold back | |
| GTJA Bond | 6,990,181,000 | -20,000 | - | - | 6,990,161,000 |

Aggregated conversion of convertible bonds during the Reporting Period

Applicable Not applicable

| | |
|---|---------------|
| Name of convertible corporate bonds | GTJA Bond |
| Conversion amount during the Reporting Period (RMB) | 20,000 |
| Number of converted shares during the Reporting Period (shares) | 1,113 |
| Aggregated number of converted shares (shares) | 516,836 |
| Aggregated number of converted shares as a percentage of the total number of issued shares of the Company before conversion (%) | 0.005931 |
| Amount of convertible bonds not yet converted (RMB) | 6,990,161,000 |
| Number of convertible bonds not yet converted as a percentage of the total number of issued convertible bonds (%) | 99.8594 |

Section IX Corporate Bonds

(IV) Adjustments of the conversion prices

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

| Name of convertible corporate bonds | | GTJA Bond | | | |
|--|---------------------------|-----------------|---|---|--|
| Effective date of adjusted conversion price | Adjusted conversion price | Disclosure date | Media of disclosure | Reasons of adjustments | |
| 2018/6/29 | RMB19.80 per share | 2018/6/22 | China Securities Journal, Shanghai Securities News, Security Times and Securities Daily | The Company distributed a dividend of RMB0.4 per share for the year of 2017 | |
| 2019/4/19 | RMB19.67 per share | 2019/4/18 | China Securities Journal, Shanghai Securities News, Security Times and Securities Daily | The Company placed 194,000,000 new H Shares in April 2019 | |
| 2019/8/12 | RMB19.40 per share | 2019/8/5 | China Securities Journal, Shanghai Securities News, Security Times and Securities Daily | The Company distributed a dividend of RMB0.275 per share for the year of 2018 | |
| 2020/8/12 | RMB19.01 per share | 2020/8/5 | China Securities Journal, Shanghai Securities News, Security Times and Securities Daily | The Company distributed a dividend of RMB0.39 per share for the year of 2019 | |
| 2021/8/20 | RMB18.45 per share | 2021/8/12 | China Securities Journal, Shanghai Securities News, Security Times and Securities Daily | The Company distributed a dividend of RMB0.56 per share for the year of 2020 | |
| 2022/7/15 | RMB17.77 per share | 2022/7/7 | China Securities Journal, Shanghai Securities News, Security Times and Securities Daily | The Company distributed a dividend of RMB0.68 per share for the year of 2021 | |
| Conversion price as of the end of the Reporting Period | | | RMB17.77 per share | | |

Section IX Corporate Bonds

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

Applicable Not applicable

As at the end of 2022, the Group's total assets amounted to RMB860.689 billion, with a gearing ratio of 75.36%. Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. issued the Report on the Updated Rating of the Public Issuance of A Share Convertible Corporate Bonds of Guotai Junan Securities Co., Ltd. (《國泰君安證券股份有限公司公開發行 A 股可轉換公司債券跟蹤評級報告》) in respect of the Company's issuance of the A Share Convertible Bonds on 17 May 2022, and maintained the credit rating of the Company as AAA and the credit rating of the Convertible Bonds as AAA with a stable outlook.

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

(VI) Other information on Convertible Bonds

Applicable Not applicable

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

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

We have audited the consolidated financial statements of Guotai Junan Securities Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 232 to 383, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Consolidation of structured entities

Refer to Note 29 to the consolidated financial statements and the accounting policies in Note 2.2.

The Key Audit Matter

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

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

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

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

How the matter was addressed in our audit

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

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

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

Consolidation of structured entities

Refer to Note 29 to the consolidated financial statements and the accounting policies in Note 2.2.

The Key Audit Matter

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

How the matter was addressed in our audit

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

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

Loss allowances of financial assets measured at amortised cost

Refer to Note 31, 34, 41 to the consolidated financial statements and the accounting policies in Note 3.12.

The Key Audit Matter

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

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

How the matter was addressed in our audit

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

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

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

Loss allowances of financial assets measured at amortised cost

Refer to Note 31, 34, 41 to the consolidated financial statements and the accounting policies in Note 3.12.

The Key Audit Matter

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

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

How the matter was addressed in our audit

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

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

Loss allowances of financial assets measured at amortised cost

Refer to Note 31, 34, 41 to the consolidated financial statements and the accounting policies in Note 3.12.

The Key Audit Matter

How the matter was addressed in our audit

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

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

Assessing the fair value of financial instruments

Refer to Note 67 to the consolidated financial statements and the accounting policies in Note 3.3.

The Key Audit Matter

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

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

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

How the matter was addressed in our audit

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

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

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

Goodwill impairment assessment relating to HuaAn Funds

Refer to Note 26 to the consolidated financial statements and the accounting policies in Note 3.2.

The Key Audit Matter

As at 31 December 2022, the carrying amount of goodwill was RMB4,071 million, primarily resulting from the acquisition of Huaan Fund Management Co., Ltd. ("HuaAn Funds") (RMB4,050 million).

Management performs goodwill impairment assessment annually. In performing an impairment assessment, management calculates the recoverable amount for each of the Group's cash generating units ("CGUs").

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

We identified goodwill impairment assessment relating to HuaAn Funds as a key audit matter because of its significance to the financial statements, the significant management judgements and estimates involved, and the fact that these judgements are inherently uncertain and might be affected by management's bias.

How the matter was addressed in our audit

Our audit procedures to assess goodwill impairment relating to HuaAn Funds included the following:

- based on our understanding on the Group's business and prevailing accounting standards, assessing management's identification of CGU and how management allocates goodwill to each CGU;
- involving KPMG valuation specialist to evaluate the appropriateness the method with reference to the requirements of the prevailing accounting standards and the reasonableness of the assumptions, including discount rate the management used when estimating the cash flows of HuaAn Funds;
- assessing the appropriateness of the key assumptions and judgments applied, including estimated revenue, growth rate and terminal growth rate adopted in the discounted cash flow forecast of HuaAn Funds by comparing with approved budgets and industry's statistics;
- performing sensitivity analyses on the discount rate and other key assumptions adopted by management to assess the impact of the impairment test result arising from the change in key assumption and whether there is any indication of management bias; and
- assessing the reasonableness of the disclosures in the consolidated financial statements in relation to goodwill impairment with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Certified Public Accountants

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

29 March 2023

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

(Amounts expressed in thousands of RMB unless otherwise stated)

| | | Year ended 31 December | |
|---|------|------------------------|--------------|
| | Note | 2022 | 2021 |
| Revenue | | | |
| Fee and commission income | 6 | 17,731,799 | 19,880,642 |
| Interest income | 7 | 15,586,674 | 15,752,963 |
| Net investment gains | 8 | 5,538,527 | 10,300,204 |
| Total revenue | | 38,857,000 | 45,933,809 |
| Gain on business combination | 9 | 1,478,368 | – |
| Gain on losing control of a subsidiary | 10 | – | 1,138,769 |
| Other income and gains | 11 | 8,751,553 | 9,338,609 |
| Total revenue and other income | | 49,086,921 | 56,411,187 |
| Fee and commission expenses | 12 | (3,532,038) | (3,930,995) |
| Interest expenses | 13 | (10,822,099) | (10,162,410) |
| Staff costs | 14 | (9,537,139) | (10,286,478) |
| Depreciation and amortization expenses | 15 | (1,305,198) | (1,267,222) |
| Tax and surcharges | | (214,789) | (190,678) |
| Other operating expenses and costs | 16 | (10,728,581) | (11,658,102) |
| Provision for impairment losses | | (24,261) | (721) |
| Reversal/(accrual) of credit loss expenses | 17 | 464,575 | (341,023) |
| Total expenses | | (35,699,530) | (37,837,629) |
| Operating profit | | 13,387,391 | 18,573,558 |
| Share of profits of associates and joint ventures | | 752,580 | 538,723 |
| Profit before income tax | | 14,139,971 | 19,112,281 |
| Income tax expense | 18 | (2,518,802) | (3,809,739) |

The accompanying notes form part of the consolidated financial statements.

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

| | <i>Note</i> | Year ended 31 December | |
|---|-------------|--------------------------|-------------------|
| | | 2022 | 2021 |
| Profit for the year | | <u>11,621,169</u> | <u>15,302,542</u> |
| Attributable to: | | | |
| Equity holders of the Company | | 11,507,150 | 15,013,480 |
| Non-controlling interests | | <u>114,019</u> | <u>289,062</u> |
| Total | | <u>11,621,169</u> | <u>15,302,542</u> |
| Earnings per share attributable to ordinary equity holders of the Company (expressed in Renminbi yuan per share) | 22 | | |
| – Basic | | <u>1.24</u> | <u>1.65</u> |
| – Diluted | | <u>1.23</u> | <u>1.62</u> |

The accompanying notes form part of the consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

(Amounts expressed in thousands of RMB unless otherwise stated)

| | Year ended 31 December | |
|---|------------------------|------------|
| | 2022 | 2021 |
| Profit for the year | 11,621,169 | 15,302,542 |
| Other comprehensive income for the year | | |
| Other comprehensive income that may be reclassified to profit or loss: | | |
| Debt instruments at fair value through other comprehensive income | | |
| – Net changes in fair value | 126,730 | 369,144 |
| – Changes in allowance for expected credit losses | 18,121 | 114,265 |
| – Reclassified to profit or loss | (461,695) | (241,046) |
| – Income tax impact | 65,390 | (65,753) |
| Share of other comprehensive income of associates and joint ventures | | |
| – Share of other comprehensive income | (48,448) | 68,431 |
| Exchange differences on translation of financial statements in foreign currencies | 1,166,835 | (307,169) |
| Total items that may be reclassified to profit or loss | 866,933 | (62,128) |
| Other comprehensive income that will not be reclassified to profit or loss: | | |
| Equity instruments at fair value through other comprehensive income | | |
| – Net changes in fair value | (684,603) | (608,843) |
| – Income tax impact | 158,948 | 150,163 |
| Share of other comprehensive income of associates and joint ventures | | |
| – Share of other comprehensive income | (181) | 271,290 |
| – Income tax impact | 994 | (66,968) |
| Total items that will not be reclassified to profit or loss | (524,842) | (254,358) |
| Other comprehensive income for the year, net of tax | 342,091 | (316,486) |
| Total comprehensive income for the year | 11,963,260 | 14,986,056 |
| Attributable to: | | |
| Equity holders of the Company | 11,548,845 | 14,786,670 |
| Non-controlling interests | 414,415 | 199,386 |
| Total | 11,963,260 | 14,986,056 |

The accompanying notes form part of the consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Amounts expressed in thousands of RMB unless otherwise stated)

| | | As at 31 December | |
|---|------|----------------------------------|---------------------------|
| | Note | 2022 | 2021 |
| Non-current assets | | | |
| Property and equipment | 23 | 3,176,858 | 2,940,786 |
| Investment property | 24 | 1,094,163 | 973,275 |
| Right-of-use assets | 25 | 2,388,079 | 2,486,964 |
| Goodwill | 26 | 4,070,761 | 20,896 |
| Other intangible assets | 27 | 733,799 | 662,890 |
| Investments in associates | 30 | 6,362,391 | 7,434,717 |
| Investments in joint ventures | 30 | 5,081,873 | 5,492,824 |
| Debt investments at amortised cost | 31 | 2,787,707 | – |
| Debt instruments at fair value through other comprehensive income | 32 | 56,359,547 | 55,034,775 |
| Equity instruments at fair value through other comprehensive income | 33 | 2,331,288 | 2,480,358 |
| Financial assets held under resale agreements | 34 | 298,860 | 1,893,344 |
| Financial assets at fair value through profit or loss | 35 | 21,126,943 | 19,946,824 |
| Refundable deposits | 36 | 58,922,817 | 40,795,692 |
| Deferred tax assets | 37 | 2,437,814 | 1,845,465 |
| Other non-current assets | 38 | 154,482 | 103,751 |
| Total non-current assets | | <u>167,327,382</u> | <u>142,112,561</u> |
| Current assets | | | |
| Accounts receivable | 39 | 11,759,050 | 9,312,022 |
| Other current assets | 40 | 2,913,113 | 2,911,292 |
| Margin accounts receivable | 41 | 87,115,509 | 109,287,307 |
| Debt investments at amortised cost | 31 | 368,442 | – |
| Debt instruments at fair value through other comprehensive income | 32 | 4,829,768 | 11,803,641 |
| Financial assets held under resale agreements | 34 | 70,837,360 | 57,689,409 |
| Financial assets at fair value through profit or loss | 35 | 310,274,301 | 264,438,237 |
| Derivative financial assets | 42 | 8,232,823 | 4,157,399 |
| Clearing settlement funds | 43 | 7,414,914 | 6,726,022 |
| Cash held on behalf of brokerage customers | 44 | 158,867,961 | 151,178,698 |
| Cash and bank balances | 45 | 30,747,924 | 31,656,227 |
| Total current assets | | <u>693,361,165</u> | <u>649,160,254</u> |
| Total assets | | <u><u>860,688,547</u></u> | <u><u>791,272,815</u></u> |

The accompanying notes form part of the consolidated financial statements.

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

| | | As at 31 December | |
|--|------|--------------------|--------------------|
| | Note | 2022 | 2021 |
| Current liabilities | | | |
| Loans and borrowings | 46 | 9,847,547 | 4,340,789 |
| Short-term debt instruments | 47 | 13,649,479 | 46,021,302 |
| Placements from other financial institutions | 48 | 12,967,205 | 12,108,833 |
| Accounts payable to brokerage customers | 49 | 195,718,783 | 172,483,608 |
| Employee benefits payable | 50 | 9,057,704 | 8,424,175 |
| Income tax payable | | 1,698,975 | 2,015,777 |
| Financial assets sold under repurchase agreements | 51 | 173,236,682 | 164,884,092 |
| Financial liabilities at fair value through profit or loss | 52 | 48,327,552 | 33,950,820 |
| Derivative financial liabilities | 42 | 9,790,659 | 9,752,873 |
| Bonds payable | 53 | 33,724,583 | 32,246,542 |
| Contract liabilities | 54 | 96,601 | – |
| Lease liabilities | 25 | 571,474 | 510,987 |
| Other current liabilities | 55 | 64,786,119 | 43,915,745 |
| Total current liabilities | | 573,473,363 | 530,655,543 |
| Net current assets | | 119,887,802 | 118,504,711 |
| Total assets less current liabilities | | 287,215,184 | 260,617,272 |
| Non-current liabilities | | | |
| Loans and borrowings | 46 | 559,151 | – |
| Bonds payable | 53 | 94,159,011 | 94,520,556 |
| Lease liabilities | 25 | 1,313,701 | 1,429,121 |
| Deferred tax liabilities | 37 | 128,523 | 111,309 |
| Financial liabilities at fair value through profit or loss | 52 | 26,721,315 | 13,538,712 |
| Other non-current liabilities | 56 | 507,394 | 380,982 |
| Total non-current liabilities | | 123,389,095 | 109,980,680 |
| Net assets | | 163,826,089 | 150,636,592 |

The accompanying notes form part of the consolidated financial statements.

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

| | | As at 31 December | |
|--|-------------|---------------------------|--------------------|
| | <i>Note</i> | 2022 | 2021 |
| Equity | | | |
| Share capital | 57 | 8,906,673 | 8,908,450 |
| Other equity instruments | 58 | 16,046,936 | 11,071,656 |
| Treasury shares | | (393,371) | (638,820) |
| Reserves | 59 | 76,471,100 | 73,650,165 |
| Retained profits | 59 | 56,667,630 | 54,132,214 |
| | | <hr/> | <hr/> |
| Equity attributable to equity holders of the Company | | 157,698,968 | 147,123,665 |
| Non-controlling interests | | 6,127,121 | 3,512,927 |
| | | <hr/> | <hr/> |
| Total equity | | <u>163,826,089</u> | <u>150,636,592</u> |

Approved and authorized for issue by the Board of Directors on 29 March 2023.

He Qing

Chairman

Wang Song

Executive Director

The accompanying notes form part of the consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

(Amounts expressed in thousands of RMB unless otherwise stated)

| | Attributable to equity shareholders of the Company | | | | | | | | | | Non-controlling interests | Total equity |
|--|--|--------------------------|-----------------|--------------------------------|---------------------|-----------------|-----------------|-----------------|------------------|-------------|---------------------------|--------------|
| | Share capital | Other equity instruments | Capital reserve | Investment revaluation reserve | Translation reserve | Surplus reserve | General reserve | Treasury shares | Retained profits | Total | | |
| At 31 December 2021 | 8,908,450 | 11,071,656 | 45,802,519 | (344,632) | (515,131) | 7,172,530 | 21,534,879 | (638,820) | 54,132,214 | 147,123,665 | 3,512,927 | 150,636,592 |
| Profit for the year | - | - | - | - | - | - | - | - | 11,507,150 | 11,507,150 | 114,019 | 11,621,169 |
| Other comprehensive income for the year | - | - | - | (820,869) | 862,564 | - | - | - | - | 41,695 | 300,396 | 342,091 |
| Total comprehensive income for the year | - | - | - | (820,869) | 862,564 | - | - | - | 11,507,150 | 11,548,845 | 414,415 | 11,963,260 |
| Issue of perpetual bonds | - | 4,975,283 | - | - | - | - | - | - | 4,975,283 | - | - | 4,975,283 |
| Appropriation to general reserve | - | - | - | - | - | - | 2,058,911 | - | (2,058,911) | - | - | - |
| Dividends (Note 21) | - | - | - | - | - | - | - | - | (6,056,537) | (6,056,537) | - | (6,056,537) |
| Distribution to other equity instrument holders (Note 21) | - | - | - | - | - | - | - | - | (402,500) | (402,500) | - | (402,500) |
| Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries | - | - | - | - | - | - | - | - | - | - | (110,448) | (110,448) |
| Other comprehensive income that has been reclassified to retained profits | - | - | - | 453,786 | - | - | - | - | (453,786) | - | - | - |
| Conversion of convertible bonds | 1 | (3) | 21 | - | - | - | - | - | - | 19 | - | 19 |
| Shares repurchased | - | - | - | - | - | - | - | - | - | - | (48,954) | (48,954) |
| Deregistration of treasury shares | (1,778) | - | (10,810) | - | - | - | - | 12,588 | - | - | - | - |
| Equity-settled share-based payments | - | - | 275,858 | - | - | - | - | 232,861 | - | 508,719 | - | 508,719 |
| Acquisition of a subsidiary | - | - | - | - | - | - | - | - | - | - | 2,360,296 | 2,360,296 |
| Others | - | - | 1,474 | - | - | - | - | - | - | 1,474 | (1,115) | 359 |
| At 31 December 2022 | 8,906,673 | 16,046,936 | 46,069,062 | (711,715) | 347,433 | 7,172,530 | 23,593,790 | (393,371) | 56,667,630 | 157,698,968 | 6,127,121 | 163,826,089 |

The accompanying notes form part of the consolidated financial statements.

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

| | Attributable to equity shareholders of the Company | | | | | | | | | | Total equity | |
|--|--|--------------------------|-------------------|--------------------------------|---------------------|------------------|-------------------|------------------|-------------------|--------------------|------------------|---------------------------|
| | Share capital | Other equity instruments | Capital reserve | Investment revaluation reserve | Translation reserve | Surplus reserve | General reserve | Treasury shares | Retained profits | Total | | Non-controlling interests |
| At 31 December 2020 | <u>8,908,448</u> | <u>11,071,661</u> | <u>45,571,238</u> | <u>(258,237)</u> | <u>(289,853)</u> | <u>7,172,530</u> | <u>19,449,920</u> | <u>(776,909)</u> | <u>46,504,462</u> | <u>137,353,260</u> | <u>8,884,558</u> | <u>146,237,818</u> |
| Profit for the year | - | - | - | - | - | - | - | - | 15,013,480 | 15,013,480 | 289,062 | 15,302,542 |
| Other comprehensive income for the year | - | - | - | (1,532) | (225,278) | - | - | - | - | (226,810) | (89,676) | (316,486) |
| Total comprehensive income for the year | - | - | - | (1,532) | (225,278) | - | - | - | 15,013,480 | 14,786,670 | 199,386 | 14,986,056 |
| Issue of perpetual bonds | - | - | - | - | - | - | - | - | - | - | - | - |
| Appropriation to general reserve | - | - | - | - | - | - | 2617,572 | - | (2,617,572) | - | - | - |
| Dividends (Note 21) | - | - | - | - | - | - | - | - | (4,983,132) | (4,983,132) | - | (4,983,132) |
| Distribution to other equity instrument holders (Note 21) | - | - | - | - | - | - | - | - | (402,500) | (402,500) | - | (402,500) |
| Distribution to non-controlling shareholders and other equity instrument holders of subsidiaries | - | - | - | - | - | - | - | - | - | - | (212,242) | (212,242) |
| Other comprehensive income that has been reclassified to retained profits | - | - | - | (185,354) | - | - | - | - | 185,354 | - | - | - |
| Conversion of convertible bonds | 2 | (5) | 27 | - | - | - | - | - | - | 24 | - | 24 |
| Equity transactions with minority stockholder | - | - | - | - | - | - | - | - | - | - | 10,471,005 | 10,471,005 |
| Acquisition of treasury shares | - | - | - | - | - | - | - | (12,588) | - | (12,588) | - | (12,588) |
| Equity-settled share-based payments | - | - | 207,170 | - | - | - | - | 150,677 | - | 357,847 | - | 357,847 |
| Lost control of a subsidiary | - | - | - | 100,491 | - | - | (532,613) | - | 432,122 | - | (15,819,404) | (15,819,404) |
| Others | - | - | 24,084 | - | - | - | - | - | - | 24,084 | (10,376) | 13,708 |
| At 31 December 2021 | <u>8,908,450</u> | <u>11,071,656</u> | <u>45,802,519</u> | <u>(344,632)</u> | <u>(515,131)</u> | <u>7,172,530</u> | <u>21,534,879</u> | <u>(638,820)</u> | <u>54,132,214</u> | <u>147,123,665</u> | <u>3,512,927</u> | <u>150,636,592</u> |

The accompanying notes form part of the consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

(Amounts expressed in thousands of RMB unless otherwise stated)

| | Year ended 31 December | |
|---|------------------------|-------------|
| | 2022 | 2021 |
| Cash flows from operating activities: | | |
| Profit before income tax | 14,139,971 | 19,112,281 |
| Adjustments for: | | |
| Interest expenses | 10,822,099 | 10,162,410 |
| Share of profits of associates and joint ventures | (752,580) | (538,723) |
| Depreciation and amortization expenses | 1,305,198 | 1,267,222 |
| Provision for impairment losses | 24,261 | 721 |
| (Reversal)/accrual of credit loss expenses | (464,575) | 341,023 |
| Equity-settled share-based payment expenses | 276,216 | 307,475 |
| Net losses/(gains) on disposal of property and equipment | 1,850 | (28,445) |
| Foreign exchange (gains)/losses | (118,031) | 71,625 |
| Gain on business combination | (1,478,368) | - |
| Lost control of a subsidiary | - | (1,138,769) |
| Gain from the acquisition of associate's equity | (95,501) | - |
| Net realized gains from financial instruments at fair value through other comprehensive income | (465,658) | (234,192) |
| Interest income and other income from financial assets at fair value through other comprehensive income | (2,087,761) | (2,921,241) |
| Interest income from debt investments at amortised cost | (18,707) | - |
| Interest income from time deposits | (1,334,573) | (1,054,812) |
| Unrealized fair value changes in financial instruments at fair value through profit or loss | 1,605,756 | (52,363) |
| Unrealized fair value changes in derivatives | (2,118,404) | (306,205) |
| | 19,241,193 | 24,988,007 |

The accompanying notes form part of the consolidated financial statements.

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

| | Year ended 31 December | |
|--|------------------------|--------------|
| | 2022 | 2021 |
| Cash flows from operating activities: | | |
| Increase in accounts payable to brokerage customers | 21,965,622 | 33,012,192 |
| Increase in financial assets sold under repurchase agreements | 8,166,971 | 27,663,593 |
| Increase in other liabilities | 20,888,410 | 19,511,333 |
| (Decrease)/increase in employee benefits payable | (461,610) | 1,213,646 |
| Decrease in financial assets held under resale agreements | 305,131 | 822,490 |
| Increase in financial instruments at fair value through profit or loss and derivative financial instruments | (15,282,797) | (52,065,981) |
| Increase in cash held on behalf of brokerage customers | (6,443,175) | (26,538,131) |
| Decrease/(increase) in margin accounts receivable | 22,442,654 | (18,225,579) |
| Increase in refundable deposits | (18,086,528) | (14,536,660) |
| Increase in accounts receivable, other current assets and other non-current assets | (1,089,727) | (2,796,538) |
| Increase/(decrease) in placements from other financial institutions | 829,206 | (1,687,556) |
| Cash generated from/(used in) operations | 52,475,350 | (8,639,184) |
| Income taxes paid | (3,184,687) | (3,141,908) |
| Interest paid | (4,969,451) | (5,006,196) |
| Net cash generated from/(used in) operating activities | 44,321,212 | (16,787,288) |

The accompanying notes form part of the consolidated financial statements.

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

| | | Year ended 31 December | |
|--|-------|------------------------|--------------|
| | Note | 2022 | 2021 |
| Cash flows from investing activities: | | | |
| Proceeds from disposal of financial assets at fair value through other comprehensive income and other investments | | 39,043,883 | 47,596,773 |
| Dividends and interest received from financial assets at fair value through other comprehensive income and other investments | | 3,745,701 | 3,955,218 |
| Proceeds from disposal of property and equipment, other intangible assets and other non-current assets | | 11,239 | 11,404 |
| Purchases of financial assets at fair value through other comprehensive income and other investments | | (38,378,364) | (46,464,838) |
| Purchases of property and equipment, other intangible assets and other non-current assets | | (1,784,313) | (853,839) |
| Acquisition of subsidiary, net of cash paid | 60(d) | (963,606) | - |
| Lost control of a subsidiary | | - | (4,024,369) |
| Net cash generated from investing activities | | 1,674,540 | 220,349 |

The accompanying notes form part of the consolidated financial statements.

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

| | Year ended 31 December | |
|--|--------------------------------|--------------------------|
| <i>Note</i> | 2022 | 2021 |
| Cash flows from financing activities: | | |
| Proceeds from loans and borrowings | 54,621,235 | 65,641,053 |
| Proceeds from issuance of bonds payable | 30,205,500 | 65,457,129 |
| Proceeds from issuance of short-term debt instruments | 28,823,913 | 69,786,347 |
| Proceeds from issuance of a perpetual bond | 4,995,000 | - |
| Proceeds from issuance of shares upon placement by a subsidiary | - | 10,468,020 |
| Cash received from restricted share incentive scheme of A shares | - | 79,500 |
| Repayment of debt securities issued | (91,868,658) | (98,709,530) |
| Repayment of loans and borrowings | (48,556,578) | (73,423,960) |
| Dividends paid | (6,564,280) | (5,848,030) |
| Interest paid | (5,437,460) | (4,317,224) |
| Capital element of lease rentals paid | (564,860) | (522,392) |
| Interest element of lease rentals paid | (69,217) | (78,149) |
| Purchase of treasury shares | (48,954) | (12,588) |
| Cash used in other financing activities | (170,709) | (80,000) |
| | <hr/> | <hr/> |
| Net cash (used in)/generated from financing activities | (34,635,068) | 28,440,176 |
| | <hr/> | <hr/> |
| Net increase in cash and cash equivalents | 11,360,684 | 11,873,237 |
| Cash and cash equivalents at the beginning of the year | 68,644,484 | 56,823,676 |
| Effect of foreign exchange rate changes | 535,181 | (52,429) |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the year | 60(a) <u>80,540,349</u> | <u>68,644,484</u> |

The accompanying notes form part of the consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

(Amounts expressed in thousands of RMB unless otherwise stated)

1. GENERAL INFORMATION

On 25 September 1992, with the approval of the People's Bank of China (the "PBOC"), Guotai Securities Co., Ltd. (國泰證券有限公司) was established in Shanghai, the People's Republic of China (the "PRC"). On 12 October 1992, with the approval of the PBOC, Junan Securities Co., Ltd. (君安證券有限責任公司) was established in Shenzhen, the PRC. On 20 May 1999, as approved by the China Securities Regulatory Commission (the "CSRC"), Guotai Securities Co., Ltd. merged with Junan Securities Co., Ltd. to set up a new company, Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) (the "Company") in Shanghai, the PRC. On 13 August 2001, the Company spun off its non-security business and related assets and liabilities to a newly established company, and continued to use the name of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司).

The Company publicly issued A shares and was listed on the Shanghai Stock Exchange on 26 June 2015, with the stock code 601211. On 11 April 2017, the Company issued H shares which are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), with the stock code 02611.

The registered office of the Company is located at No. 618 Shangcheng Road, China (Shanghai) Pilot Free-Trade Zone, Shanghai, PRC.

The Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment consultation, the financial advisory business relating to securities trading and securities investment, margin financing and securities lending, the agency sale of securities investment funds, the agency sale of financial products, introducing brokerage for futures companies, asset management, fund management, commodity futures brokerage, financial futures brokerage, futures investment consulting, equity investment, venture capital, investment management, investment consultation and other business activities approved by the CSRC.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Other amendments to the standards effective in 2022 relevant to and adopted by the Group

The Group has adopted the following amendments to the IFRSs issued by the IASB that are first effective for the financial year ended 31 December 2022.

| | | | <i>Notes</i> |
|-----|--|--|--------------|
| (1) | Amendments to IFRS 3 | Reference to the Conceptual Framework | (i) |
| (2) | Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract | (ii) |
| (3) | Amendments to IAS 16 | Property, Plant and Equipment – Proceeds before Intended Use | (iii) |
| (4) | Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 | Annual Improvements to IFRS Standards 2018-2020 | (iv) |

(i) Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments have updated IFRS 3 Business combinations, to refer to the 2018 Conceptual Framework for Financial Reporting, and added an exception to the requirement to refer to the 2018 Conceptual Framework to determinate what constitutes an asset or a liability in a business combination. The exception relates to liabilities and contingent liabilities that would have been within the scope of IAS 37 or IFRIC 21. The Board has also clarified that the acquirer should not recognize contingent assets, as defined in IAS 37, at the acquisition date. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(ii) Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

The amendments clarify the meaning of 'costs to fulfil a contract' for the purposes of assessing whether a contract is onerous. In particular, the amendments explain that such costs comprise the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than merely on assets dedicated to that contract. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(iii) Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendments also clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset, and that the financial performance of the asset is not relevant to this assessment. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Other amendments to the standards effective in 2022 relevant to and adopted by the Group *(continued)*

- (iv) *Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual Improvements to IFRS Standards 2018-2020*

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual Improvements to IFRS Standards 2018-2020, which provides an optional relief for the measurement of cumulative translation differences to certain first-time adopters, clarifies the types of fees to be included when assessing the derecognition of financial liability, amends an illustrative example accompanying IFRS 16, 'Leases', and removes the requirement to exclude taxation cash flows when measuring fair value. The adoption of these amendments does not have a significant impact on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Business combinations and goodwill

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts that are financial liabilities of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Business combinations and goodwill *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

3.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; and
- Level 3 based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

3.5 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 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;
 - (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.

3.6 Property and equipment and depreciation

Property and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Property and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|-------------------------|---|
| Buildings | 2.26% – 3.20% |
| Leasehold improvements | Over the shorter of the remaining lease terms and 5 years |
| Machinery | 8.64% – 19.20% |
| Electronic equipment | 19.00% – 50.00% |
| Communication equipment | 10.56% – 32.00% |
| Motor vehicles | 9.50% – 32.00% |
| Others | 9.50% – 32.00% |

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

3.7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for using the cost model and stated in the financial statements at cost less accumulated depreciation, and impairment losses (see Note 3.4). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

| | Estimated useful lives | Estimated residual values | Depreciation rates |
|-----------|------------------------|---------------------------|--------------------|
| Buildings | 30 – 42 years | 4.0% – 5.0% | 2.26% – 3.20% |

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level, whether there is any indicator of impairment or not. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Useful lives of each category of intangible assets are as follows:

| | Useful lives |
|----------------------|---------------------|
| Trading seats rights | Indefinite |
| Software | 5 years |

3.9 Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.9 Leases *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

3.10 Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Investments and other financial assets *(continued)*

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.10 Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.12 Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "lifetime ECL").

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Impairment of financial assets *(continued)*

General approach *(continued)*

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group assesses the internal and external credit ratings of the debt investments.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full after taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs;
- Stage 2 Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs;
- Stage 3 Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Purchased or originated credit-impaired ("POCI") assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted effective interest rate. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities measured at amortized cost.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term debt instruments, placements from other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Financial liabilities *(continued)*

Subsequent measurement *(continued)*

Financial liabilities at amortized cost

After initial recognition, interest-bearing financial liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

3.14 Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

3.15 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.16 Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

3.17 Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognized in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase are recognized as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

3.18 Accounts payable to brokerage customers

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognizes the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of purchased securities exceeds that of sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of sold securities exceeds that of purchased securities, accounts payable to brokerage customers increase by the difference after deducting the withholding stamp duty and commission.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.19 Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for short-selling of securities, for which the customers provide the Group with collateral.

Margin financing services

The Group recognizes margin financing services to customers as margin accounts receivable, and recognizes the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivables is determined with reference to the policy of provision for impairment of financial assets measured at amortized cost.

Securities lending services

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognized as interest revenue according to the securities lending agreement. The securities transferred under the securities lending services are not derecognized.

3.20 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned by using specific identification of their individual costs. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3.21 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.22 Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in interest expense in the statement of profit or loss.

A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognized in accordance with the general policy for provisions above; and (ii) the amount initially recognized less, when appropriate, the amount of income recognized in accordance with the policy for revenue recognition.

3.23 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.23 Income tax *(continued)*

Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.24 Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.25 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liabilities under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Securities brokerage and investment consulting business

Income from the securities brokerage is recognized on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognized when the related services are rendered.

Income from the investment consulting business is recognized when the relevant transactions have been arranged or the relevant services have been rendered.

(b) Underwriting and sponsorship business

Income from the underwriting and sponsorship business is recognized when the obligation of underwriting or sponsoring is completed.

(c) Asset management business

Income from asset management business is recognized when contingent criteria associated are met.

(d) Other business

Income from other business is recognized when control of goods or services is transferred to the customers.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.26 Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

3.27 Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3.28 Contract costs

Other than the costs which are capitalized as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized. Other contract costs are expensed as incurred.

3.29 Expenses recognition

Commission expenses

Commission expenses relate mainly to transactions, which are recognized as expenses when the services are received.

Interest expenses

Interest expenses are recognized based on the amortized cost and at the effective interest rate applicable.

Other expenses

Other expenses are recognized on an accrual basis.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.30 Fiduciary wealth management

The Group's fiduciary wealth management business includes fund management, single asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

3.31 Employee benefits

Employee benefits refer to all forms of consideration and other related expenses except share-based payments given by the Group in exchange for services rendered by employees. The employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits (Defined contribution plan)

The Group participates in a defined contribution plan in which the employees benefit from pensions and unemployment insurance managed by the government, and annuity plans managed by the Group. Such expenditure is charged to the statement of profit or loss in the period when it is incurred.

Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

Other long-term employee benefits

Other long-term employee benefits are applicable to the rules on post-employment benefits, to recognize their net liabilities or net assets, while the changes are recorded in current profit or loss or related asset cost.

Share-based payments

(i) Accounting treatment of cash-settled share-based payments

Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the service received from employees is measured at the fair value of the liability incurred. If a cash-settled share-based payment do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognizes costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the Group will remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognized in profit or loss for the current period.

When the Group receives services and has the obligation to settle the transaction, but the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group classifies the transaction as cash-settled.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.31 Employee benefits *(continued)*

Share-based payments *(continued)*

(ii) Accounting treatment of equity-settled share-based payments

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognizes an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to the newly obtained subsequent information of the changes of the number of the employees expected to vest the equity instruments. The Group measures the services received at the grant-date fair value of the equity instruments and recognizes the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Group receives services, but has no obligation to settle the transaction because the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group also classifies the transaction as equity-settled.

3.32 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.33 Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.34 Foreign currencies

The consolidated financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is transferred to the statement of profit or loss.

Cash flows denominated in foreign currencies and cash flows of overseas subsidiaries are translated using the average exchange rates for the year. The impact on cash caused by the fluctuation of exchange rates is presented as a separate line item in the statement of cash flows.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in these consolidated financial statements is included in the following note:

Note 2.2 – consolidation: whether the Group has control over a structured entity.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 3.2 – the impairment of goodwill

Note 3.3 – measurement of fair value;

Note 3.4 – the impairment of non-financial assets;

Notes 3.6 to 3.8 – depreciation rates and amortisation rates for property and equipment, investment property and other intangible assets;

Note 3.12 – measurement of 'expected credit loss' (ECL) allowance for financial assets;

Note 3.23 – recognition of deferred tax assets; and

Note 3.31 – Share-based payments.

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

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

| Tax type | Tax basis | Tax rate |
|---------------------------------------|--|-----------------|
| Corporate income tax | Taxable profits | 16.5% – 25% |
| Value added tax ("VAT") | Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period. | 3% – 13% |
| City maintenance and construction tax | Value added tax paid | 1% – 7% |
| Education surcharge | Value added tax paid | 3% |
| Local Education surcharge | Value added tax paid | 2% |

Corporate Income tax

The income tax rate applicable to the Company and its subsidiaries in Mainland China is 25%. The income tax rate applicable to subsidiaries in Hong Kong is 16.5%.

Value added tax

According to the Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products (《關於資管產品增值稅有關問題的通知》) promulgated by the Ministry of Finance (the "MOF") and the State Administration of Taxation (the "SAT") of the PRC on 30 June 2017, starting from 1 January 2018, with respect to any VAT-able activities in the course of managing asset management products, managers of the asset management products could be temporarily subject to the simplified VAT calculation method and thus liable to VAT at 3%. With respect to VAT-able income arising from asset management products prior to 1 January 2018, if VAT had not been paid previously, no VAT will be payable; if VAT had been paid previously, the previously paid VAT can be used to offset against the VAT payable of the managers.

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

6. FEE AND COMMISSION INCOME

(a) Revenue streams

| | Year ended 31 December | |
|---|--------------------------|-------------------|
| | 2022 | 2021 |
| Securities brokerage and investment consulting business | 8,898,520 | 11,244,621 |
| Underwriting and sponsorship business | 4,227,805 | 3,955,508 |
| Futures brokerage business | 2,429,572 | 2,303,801 |
| Asset management business | 1,650,646 | 1,793,579 |
| Financial advisory business | 228,434 | 276,967 |
| Custodian and outsourcing service | 180,076 | 208,904 |
| Others | 116,746 | 97,262 |
| | <u>17,731,799</u> | <u>19,880,642</u> |
| Total | <u>17,731,799</u> | <u>19,880,642</u> |

Fee and commission income represented the Group's revenue from contracts with customers.

(b) Disaggregation of revenue

In the following table, fee and commission income are disaggregated by timing of revenue recognition:

| | Year ended 31 December | | | |
|---|--------------------------|-------------------------|-----------------------|------------------|
| | 2022 | | 2021 | |
| | At a point in time | Over time | At a point in time | Over time |
| Securities brokerage and investment consulting business | 8,898,520 | - | 11,244,621 | - |
| Underwriting and sponsorship business | 4,227,805 | - | 3,955,508 | - |
| Futures brokerage business | 2,429,572 | - | 2,303,801 | - |
| Asset management business | - | 1,650,646 | - | 1,793,579 |
| Financial advisory business | 228,434 | - | 276,967 | - |
| Custodian and outsourcing service | - | 180,076 | - | 208,904 |
| Others | 116,746 | - | 97,262 | - |
| | <u>15,901,077</u> | <u>1,830,722</u> | <u>17,878,159</u> | <u>2,002,483</u> |
| Total | <u>15,901,077</u> | <u>1,830,722</u> | <u>17,878,159</u> | <u>2,002,483</u> |

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

7. INTEREST INCOME

| | Year ended 31 December | |
|---|------------------------|------------|
| | 2022 | 2021 |
| Margin financing and securities lending | 6,386,614 | 7,315,164 |
| Deposits in financial institutions | 4,740,207 | 3,977,000 |
| Debt instruments at fair value through other comprehensive income | 2,026,532 | 2,078,412 |
| Stock-pledged financing and securities repurchase | 1,860,172 | 1,899,037 |
| Other financial assets held under resale agreements | 497,132 | 416,109 |
| Debt investments at amortised cost | 18,707 | – |
| Term loan | 10,577 | 25,945 |
| Others | 46,733 | 41,296 |
| | 15,586,674 | 15,752,963 |
| Total | 15,586,674 | 15,752,963 |

8. NET INVESTMENT GAINS

| | Year ended 31 December | |
|---|------------------------|-------------|
| | 2022 | 2021 |
| Dividend and other income | | |
| Financial instruments at fair value through profit or loss | 6,740,026 | 6,607,830 |
| Equity instruments at fair value through other comprehensive income | 61,229 | 842,829 |
| Net realized (losses)/gains | | |
| Financial instruments at fair value through profit or loss | (3,907,906) | 2,018,312 |
| Debt instruments at fair value through other comprehensive income | 465,658 | 234,192 |
| Derivative financial instruments | 1,664,944 | 240,383 |
| Unrealized (losses)/gains | | |
| Financial assets at fair value through profit or loss | (4,188,346) | (1,918,648) |
| Financial liabilities at fair value through profit or loss | 2,582,590 | 1,971,011 |
| Derivative financial instruments | 2,118,404 | 306,205 |
| Others ⁽¹⁾ | 1,928 | (1,910) |
| | 1,928 | (1,910) |
| Total | 5,538,527 | 10,300,204 |

(1) Mainly includes third-party interests in consolidated structured entities.

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

9. GAIN ON BUSINESS COMBINATION

On 4 November 2022, the Company acquired 8% interest in HuaAn Fund Management Co., Ltd ("HuaAn Funds") from Shanghai Industrial Investment (Holdings) Co., Ltd. by paying a cash consideration of RMB1.063 billion. After the acquisition, the Company's shareholding percentage in HuaAn Funds is 51%, for details please refer to Note 28(c).

Gain on business combination is calculated as:

| | As at 4 November 2022 |
|--|-----------------------------|
| Fair value of the Company's previous interests in HuaAn Funds | 5,443,800 |
| Less: carrying amount of the Company's previous interests in HuaAn Funds | <u>(3,972,515)</u> |
| Gain on fair value revaluation | 1,471,285 |
| Add: other comprehensive income relating to the Company's previous interest in HuaAn Funds | <u>7,083</u> |
| Gain on business combination | <u><u>1,478,368</u></u> |

10. GAIN ON LOSING CONTROL OF A SUBSIDIARY

Following CSRC's approval on Bailian Group Co., Ltd. to become a major shareholder and controlling shareholder of Shanghai Securities Co., Ltd. ("Shanghai Securities") and the change of registered share capital of Shanghai Securities in December 2020, Shanghai Securities has completed the necessary procedures in relations to the capital increase including capital verification, registration of change in rights of state-owned assets and registration with industrial and commercial department of the increased registered share capital in accordance with the requirements stated in the approval of the CSRC and requirements of relevant administrative measures of state-owned assets.

Upon the completion of such procedures and as of the date 7 February 2021, the Company held approximately 24.99% of the equity interests in Shanghai Securities, and Shanghai Securities ceased to be a subsidiary of the Company.

| Entity name | Shanghai Securities |
|--|---|
| Considerations received | - |
| Disposal method | Subsidiary's private placement of shares to third-party investors |
| Date of losing control | 7 February 2021 |
| Basis for determining date of losing control | Transfer of control |
| Proportion of remaining equity interests on the date of losing control | 24.99% |
| Carrying amount of remaining equity interests on the date of losing control | 4,004,515 |
| Fair value of remaining equity interests on the date of losing control | 5,129,330 |
| Gain or loss from remeasurement of remaining equity interests to fair value | 1,124,815 |
| Method and key assumptions for determining the fair value of remaining equity interests | Independent valuation report from third party valuer |
| Net investment gains transferred from other comprehensive income related to previous equity investment in subsidiary | 13,954 |

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

11. OTHER INCOME AND GAINS

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2022 | 2021 |
| Income from bulk commodity trading | 7,724,816 | 8,685,188 |
| Government grants ⁽¹⁾ | 699,376 | 554,752 |
| Foreign exchange gains or losses | 118,031 | (71,625) |
| Commission from tax withholding and remitting | 45,446 | 40,646 |
| (Losses)/gains on disposal of property and equipment | (977) | 28,602 |
| Others | 164,861 | 101,046 |
| | 8,751,553 | 9,338,609 |
| Total | 8,751,553 | 9,338,609 |

(1) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

12. FEE AND COMMISSION EXPENSES

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2022 | 2021 |
| Securities brokerage and investment consulting business | 1,928,925 | 2,475,552 |
| Futures brokerage business | 1,385,336 | 1,193,155 |
| Underwriting and sponsorship business | 145,164 | 169,551 |
| Others | 72,613 | 92,737 |
| | 3,532,038 | 3,930,995 |
| Total | 3,532,038 | 3,930,995 |

13. INTEREST EXPENSES

| | Year ended 31 December | |
|---|------------------------|-------------------|
| | 2022 | 2021 |
| Bonds payable | 4,679,796 | 3,774,985 |
| Financial assets sold under repurchase agreements | 3,215,708 | 3,107,836 |
| Accounts payable to brokerage customers | 1,089,252 | 847,606 |
| Short-term debt instruments | 718,959 | 1,228,529 |
| Placements from other financial institutions | 558,487 | 587,381 |
| Securities lending | 193,923 | 175,826 |
| Loans and borrowings | 166,783 | 123,813 |
| Lease liabilities | 69,217 | 78,149 |
| Gold leasing | 67,859 | 69,282 |
| Others | 62,115 | 169,003 |
| | 10,822,099 | 10,162,410 |
| Total | 10,822,099 | 10,162,410 |

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

14. STAFF COSTS

| | Year ended 31 December | |
|---|------------------------|-------------------|
| | 2022 | 2021 |
| Salaries, bonuses and allowances | 7,541,913 | 8,575,008 |
| Contributions to defined contribution schemes | 1,004,161 | 757,903 |
| Other social welfare | 714,849 | 646,092 |
| Equity-settled share-based payment expenses | 276,216 | 307,475 |
| Total | <u>9,537,139</u> | <u>10,286,478</u> |

The employees of the Group in Mainland China participate in state-managed retirement benefit schemes operated by the respective local governments in Mainland China.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance for all of its qualified employees in Hong Kong.

Apart from participating in various defined contribution retirement benefit schemes organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans for the period.

The Group currently has no additional significant cost for the payment of retirement and other post-retirement benefits of employees other than the monthly contributions described above. The Group's contributions to these pension plans are charged to profit or loss in the period to which they relate.

15. DEPRECIATION AND AMORTIZATION EXPENSES

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2022 | 2021 |
| Depreciation of right-of-use assets | 609,290 | 592,041 |
| Depreciation of property and equipment | 449,456 | 460,986 |
| Amortization of other intangible assets | 206,156 | 180,266 |
| Depreciation of investment property | 21,783 | 14,683 |
| Amortization of long-term deferred expenses | 18,513 | 19,246 |
| Total | <u>1,305,198</u> | <u>1,267,222</u> |

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

16. OTHER OPERATING EXPENSES AND COSTS

| | Year ended 31 December | |
|---|--------------------------|--------------------------|
| | 2022 | 2021 |
| Cost of bulk commodity trading | 7,752,348 | 8,650,701 |
| Information technology expenses | 507,785 | 470,151 |
| Stock exchange management fees | 296,217 | 232,438 |
| Consulting fees | 289,184 | 266,742 |
| Postal and communication expenses | 206,972 | 199,495 |
| Rental and property management expenses | 190,911 | 184,427 |
| Marketing and advertising expenses | 170,412 | 146,235 |
| Business travel expenses | 129,012 | 183,666 |
| Securities investor protection funds | 110,167 | 135,013 |
| Auditors' remuneration | 14,084 | 9,923 |
| Others | <u>1,061,489</u> | <u>1,179,311</u> |
| Total | <u><u>10,728,581</u></u> | <u><u>11,658,102</u></u> |

17. (REVERSAL)/ACCRUAL OF CREDIT LOSS EXPENSES

| | Year ended 31 December | |
|---|-------------------------|-----------------------|
| | 2022 | 2021 |
| Margin accounts receivable | (408,660) | 502,666 |
| Financial assets held under resale agreements | (227,732) | (596,813) |
| Other current assets | 99,951 | - |
| Other non-current assets | 51,179 | 307,936 |
| Accounts receivable | 6,507 | 15,214 |
| Others | <u>14,180</u> | <u>112,020</u> |
| Total | <u><u>(464,575)</u></u> | <u><u>341,023</u></u> |

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

18. INCOME TAX EXPENSE

| | Year ended 31 December | |
|---------------------------------------|------------------------|------------------|
| | 2022 | 2021 |
| Current tax | | |
| Mainland China | 2,662,930 | 3,451,090 |
| Hong Kong | 50,703 | 155,435 |
| Adjustments in respect of prior years | | |
| Mainland China | 2,660 | 1,001 |
| Hong Kong | 3,781 | (3) |
| Deferred tax | (201,272) | 202,216 |
| Total tax charges for the year | <u>2,518,802</u> | <u>3,809,739</u> |

According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Company's subsidiaries in Mainland China are subject to CIT at the statutory tax rate of 25%.

For the Company's subsidiaries in Hong Kong, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the year.

A reconciliation of the tax expense applicable to profit before income tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries is domiciled to the tax expense at the effective tax rate is as follows:

| | Year ended 31 December | |
|--|------------------------|-------------------|
| | 2022 | 2021 |
| Profit before income tax | <u>14,139,971</u> | <u>19,112,281</u> |
| Tax at the PRC statutory tax rate of 25% | 3,534,993 | 4,778,070 |
| Effect of different tax rates of subsidiaries | (21,586) | (119,115) |
| Adjustments in respect of current tax and deferred tax of prior years | 6,441 | 998 |
| Non-taxable income | (980,038) | (820,438) |
| Profits and losses attributable to joint ventures and associates | (107,466) | (106,823) |
| Non-deductible expenses | 176,398 | 182,603 |
| Utilization of tax losses and deductible temporary differences previously not recognized | (925) | (17,209) |
| Tax losses and deductible temporary differences not recognized | 11,610 | 12,278 |
| Deductible distribution of other equity instrument | (100,625) | (100,625) |
| Total tax charges for the year | <u>2,518,802</u> | <u>3,809,739</u> |

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

19. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of directors and supervisors paid by the Group who held office for the years ended 31 December 2022 and 2021 is as follows:

| Name | Year ended 31 December 2022 | | | | | Total remuneration |
|--|-----------------------------|-----------------------------------|---|--------------------------------------|-----------------------------------|--------------------|
| | Fees | Salaries, allowances and benefits | Pension scheme contributions and other social welfare | Discretionary bonuses ⁽⁴⁾ | Restricted share incentive scheme | |
| Executive Directors | | | | | | |
| He Qing | - | 913 | 240 | 1,004 | - | 2,157 |
| Wang Song | - | 1,000 | 242 | 297 | 2,379 | 3,918 |
| Yu Jian | - | 1,604 | 402 | 1,922 | 1,960 | 5,888 |
| Non-Executive Directors | | | | | | |
| Liu Xinyi ⁽¹⁾ | - | - | - | - | - | - |
| Guan Wei ⁽¹⁾ | - | - | - | - | - | - |
| Zhong Maojun ⁽¹⁾ | - | - | - | - | - | - |
| Chen Hua ⁽¹⁾ | - | - | - | - | - | - |
| Wang Wenjie ⁽¹⁾ | - | - | - | - | - | - |
| Zhang Zhan | 150 | - | - | - | - | 150 |
| Zhang Yipeng ⁽¹⁾ | - | - | - | - | - | - |
| An Hongjun ⁽¹⁾ | - | - | - | - | - | - |
| Independent Non-executive Directors | | | | | | |
| Xia Dawei ⁽²⁾ | 250 | - | - | - | - | 250 |
| Ding Wei | 250 | - | - | - | - | 250 |
| Li Renjie | 250 | - | - | - | - | 250 |
| Bai Wei | 250 | - | - | - | - | 250 |
| LEE Conway Kong Wai | 250 | - | - | - | - | 250 |
| Chai Hongfeng ⁽¹⁾ | - | - | - | - | - | - |
| Supervisors | | | | | | |
| Wu Hongwei | - | 800 | 240 | - | - | 1,040 |
| Zhou Zhaohui | 150 | - | - | - | - | 150 |
| Shen Yun | 150 | - | - | - | - | 150 |
| Zuo Zhipeng | 150 | - | - | - | - | 150 |
| Shao Liangming | - | 843 | 292 | 2,195 | - | 3,330 |
| Xie Min | - | 325 | 121 | 455 | - | 901 |
| Li Zhongning ⁽³⁾ | - | 652 | 162 | 679 | - | 1,493 |
| | 1,850 | 6,137 | 1,699 | 6,552 | 4,339 | 20,577 |

- (1) Except for these directors, none of the directors or supervisors waived any remuneration during the year.
- (2) Ceased to serve as an independent Director of the Company due to the expiration of the term of office for six consecutive years. To be compliant with the relevant requirements, Mr. Xia Dawei continues to perform his duties as an independent Director until a new independent Director is appointed.
- (3) Resigned on 25 July 2022.
- (4) The deferred pre-tax amount of directors, supervisors for previous year in 2022: RMB188,200 for Wang Song, RMB1,424,200 for Yu Jian.

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

19. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

| Name | Year ended 31 December 2021 | | | | | | Total remuneration |
|--|-----------------------------|-----------------------------------|--|-----------------------|-----------------------------------|---------------|--------------------|
| | Fees | Salaries, allowances and benefits | Pension contributions and other social welfare | Discretionary bonuses | Restricted share incentive scheme | | |
| Executive Directors | | | | | | | |
| He Qing ⁽²⁾ | - | 799 | 210 | 342 | - | 1,351 | |
| Wang Song ⁽²⁾ | - | 1,080 | 212 | 1,452 | 2,718 | 5,462 | |
| Yu Jian ⁽²⁾ | - | 1,613 | 352 | 3,550 | 2,241 | 7,756 | |
| Non-Executive Directors | | | | | | | |
| Liu Xinyi ⁽¹⁾⁽²⁾ | - | - | - | - | - | - | |
| Guan Wei ⁽¹⁾⁽²⁾ | - | - | - | - | - | - | |
| Zhong Maojun ⁽¹⁾⁽²⁾ | - | - | - | - | - | - | |
| Chen Hua ⁽¹⁾⁽²⁾ | - | - | - | - | - | - | |
| Wang Wenjie ⁽¹⁾⁽²⁾ | - | - | - | - | - | - | |
| Zhang Zhan ⁽²⁾ | 75 | - | - | - | - | 75 | |
| Zhang Yipeng ⁽¹⁾⁽³⁾ | - | - | - | - | - | - | |
| An Hongjun ⁽¹⁾⁽²⁾ | - | - | - | - | - | - | |
| Independent Non-executive Directors | | | | | | | |
| Xia Dawei ⁽²⁾ | 250 | - | - | - | - | 250 | |
| Ding Wei ⁽²⁾ | 125 | - | - | - | - | 125 | |
| Li Renjie ⁽²⁾ | 125 | - | - | - | - | 125 | |
| Bai Wei ⁽²⁾ | 125 | - | - | - | - | 125 | |
| LEE Conway Kong Wai ⁽²⁾ | 250 | - | - | - | - | 250 | |
| Chai Hongfeng ⁽¹⁾⁽³⁾ | - | - | - | - | - | - | |
| Supervisors | | | | | | | |
| Li Zhongning ⁽²⁾ | - | 799 | 210 | 267 | - | 1,276 | |
| Wu Hongwei ⁽²⁾ | - | 359 | 101 | - | - | 460 | |
| Zhou Zhaohui ⁽²⁾ | 75 | - | - | - | - | 75 | |
| Shen Yun ⁽²⁾ | 75 | - | - | - | - | 75 | |
| Zuo Zhipeng ⁽²⁾ | 150 | - | - | - | - | 150 | |
| Shao Liangming ⁽²⁾ | - | 392 | 101 | 100 | - | 593 | |
| Xie Min ⁽²⁾ | - | 169 | 51 | 77 | - | 297 | |
| | <u>1,250</u> | <u>5,211</u> | <u>1,237</u> | <u>5,788</u> | <u>4,959</u> | <u>18,445</u> | |

(1) Except for these directors, none of the directors or supervisors waived any remuneration during the year.

(2) Appointed on 28 June 2021.

(3) Appointed on 25 November 2021.

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

20. FIVE HIGHEST PAID EMPLOYEES

Among the five highest paid employees, there were neither directors nor supervisors for the years ended 31 December 2022 and 2021. Details of the remuneration of the five highest paid employees are as follows:

| | Year ended 31 December | |
|---|------------------------|---------------|
| | 2022 | 2021 |
| Salaries, allowances and benefits | 11,372 | 9,709 |
| Pension scheme contributions and other social welfare | 1,660 | 40 |
| Discretionary bonuses | 47,576 | 49,883 |
| Share-based payments | 74 | 690 |
| Total | <u>60,682</u> | <u>60,322</u> |

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

| | Year ended 31 December | |
|--------------------------------|------------------------|----------|
| | 2022 | 2021 |
| HKD10,000,001 to HKD12,000,000 | 2 | – |
| HKD12,000,001 to HKD14,000,000 | 1 | 2 |
| HKD14,000,001 to HKD16,000,000 | 1 | 1 |
| HKD16,000,001 to HKD18,000,000 | – | 2 |
| HKD18,000,001 to HKD20,000,000 | 1 | – |
| Total | <u>5</u> | <u>5</u> |

21. DIVIDENDS

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2022 | 2021 |
| Proposed and paid dividends | 6,056,537 | 4,983,132 |
| Distribution to other equity instrument holders | <u>402,500</u> | <u>402,500</u> |

Pursuant to the resolution of the meeting of shareholders held on 31 May 2022, the Company distributed cash dividends of RMB6.80 for every 10 shares (tax included) amounting to RMB6,057 million in total for the year ended 31 December 2021.

Pursuant to the resolution of the meeting of shareholders held on 28 June 2021, the Company distributed cash dividends of RMB5.60 for every 10 shares (tax included) amounting to RMB4,983 million in total for the year ended 31 December 2020.

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

21. DIVIDENDS *(continued)*

The dividend distributions by the Company triggered the mandatory interest payment event for perpetual subordinated bonds. The Company recognized dividend payable to other equity instrument holders of RMB403 million and RMB403 million during the year ended 31 December 2022 and 2021 for the years then ended respectively.

Pursuant to the resolution of the 8th meeting of the 6th term of the Board held on 29 March 2023, the Board has proposed the annual profit distribution plan for the year ended 31 December 2022 as follows: after appropriating 10% of profit after tax each for general risk reserve and transaction risk reserve, respectively, based on the total share capital of the Company on the record date of dividend distribution, the Company shall distribute cash dividends of RMB5.30 for every 10 shares (tax included). Based on the total share capital of the Company, being 8,906,672,636 shares on 31 December 2022, RMB4,721 million of dividends would be distributed. The profit distribution plan for the year ended 31 December 2022 is subject to shareholders' approval in the upcoming shareholders' meeting.

22. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The newly issued shares are calculated in accordance with the conditions stated in the issuance agreement, starting from the consideration receivable date (usually the issuance date).

The numerator of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect (a) the interest of dilutive potential ordinary shares recognized in profit or loss, where applicable, (b) the income or expenses from the conversion of dilutive potential ordinary shares into ordinary shares, (c) dividend paid to shareholders under the restricted share incentive scheme of A shares (d) the tax impact of the above adjustments.

The denominator of the diluted earnings per share amount is the total number of (a) the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, (b) the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, and (c) dilutive effect arising from the implementation of the restricted share incentive scheme.

When calculating the weighted average number of ordinary shares assumed to have been issued at consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, dilutive potential ordinary shares issued in prior years are assumed to be converted at the beginning of the year and those shares under the restricted share incentive scheme issued in the year are assumed to be converted at the issuance date. The Group has convertible corporate bonds and share based payment as dilutive potential ordinary shares.

When calculating the dilutive effect of the restricted share incentive scheme, the Company assumes that the balance sheet date is the unlocking date and determines whether the actual performance on the balance sheet date meets the performance conditions of unlocking requirements, and calculates the dilutive effect based on the judgment results.

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

22. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

The calculations of basic and diluted earnings per share attributable to ordinary equity holders of the Company are as follows:

| | Year ended 31 December | |
|---|------------------------|------------|
| | 2022 | 2021 |
| Earnings | | |
| Profit attributable to equity holders of the Company | 11,507,150 | 15,013,480 |
| Less: Profit attributable to other equity holders of the Company ⁽¹⁾ | 487,086 | 402,500 |
| Less: Cash dividend paid to shareholders under the restricted share incentive scheme of A shares ⁽²⁾ | 40,912 | 43,244 |
| | <hr/> | <hr/> |
| Profit attributable to ordinary equity holders of the Company | 10,979,152 | 14,567,736 |
| Add: Interest expense on convertible bonds, net of tax | 306,785 | 302,063 |
| Add: Cash dividend paid to shareholders under the restricted share incentive scheme of A shares ⁽²⁾ | 40,912 | 43,244 |
| | <hr/> | <hr/> |
| Adjusted profit attributable to ordinary equity holders of the Company | 11,326,849 | 14,913,043 |
| | <hr/> | <hr/> |
| Shares (in thousand) | | |
| Weighted average number of ordinary shares in issue during the year | 8,819,450 | 8,819,449 |
| Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares | 378,872 | 372,362 |
| Add: Dilutive effect of the restricted share incentive scheme | 27,710 | 17,722 |
| | <hr/> | <hr/> |
| Adjusted weighted average number of ordinary shares in issue during the year | 9,226,032 | 9,209,533 |
| | <hr/> | <hr/> |
| Earnings per share attributable to ordinary equity holders of the Company (RMB per share) | | |
| – Basic | 1.24 | 1.65 |
| – Diluted | 1.23 | 1.62 |
| | <hr/> | <hr/> |

(1) For the purpose of calculating basic earnings per ordinary share in respect of the year ended 31 December 2022, RMB487 million (2021: RMB403 million) attributable to perpetual subordinated bonds were deducted from profits attributable to equity holders of the Company.

(2) For the purpose of calculating basic earnings per ordinary share in respect of the year ended 31 December 2022, cash dividend of RMB41 million (2021: RMB43 million) paid to shareholders under the restricted share incentive scheme of A shares were deducted from profits attributable to equity holders of the Company. For the purpose of calculating diluted earnings per ordinary share in respect of the year ended 31 December 2022, the above cash dividend was included in the profits attributable to equity holders of the Company.

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

23. PROPERTY AND EQUIPMENT

| | Buildings | Leasehold improvements | Machinery | Electronic equipment | Communication equipment | Motor vehicles | CIP | Others | Total |
|--|--------------------|------------------------|----------------|----------------------|-------------------------|------------------|----------------|------------------|--------------------|
| Cost | | | | | | | | | |
| As at 1 January 2022 | 2,781,776 | 686,724 | 50,323 | 1,801,551 | 19,546 | 139,321 | 219,683 | 167,980 | 5,866,904 |
| Additions | 3,079 | 33,203 | 734 | 243,990 | 1,176 | 8,606 | 182,084 | 3,499 | 476,371 |
| Transfers during the year | - | 7,078 | 195 | 20,952 | - | - | (221,376) | 107 | (193,044) |
| Business combination | 343,224 | - | - | 17,783 | - | 1,405 | 9,518 | 1,284 | 373,214 |
| Disposals | - | (47,824) | (1,847) | (36,115) | (217) | (6,752) | - | (7,385) | (100,140) |
| Exchange adjustments | 46,992 | - | - | 12,955 | - | 344 | - | 482 | 60,773 |
| As at 31 December 2022 | <u>3,175,071</u> | <u>679,181</u> | <u>49,405</u> | <u>2,061,116</u> | <u>20,505</u> | <u>142,924</u> | <u>189,909</u> | <u>165,967</u> | <u>6,484,078</u> |
| Accumulated depreciation | | | | | | | | | |
| As at 1 January 2022 | (980,316) | (491,114) | (2,026) | (1,133,018) | (13,230) | (110,506) | - | (103,655) | (2,833,865) |
| Depreciation charge | (74,458) | (79,138) | (7,741) | (262,706) | (2,044) | (9,262) | - | (14,107) | (449,456) |
| Disposals | - | 46,469 | 1,643 | 34,106 | 208 | 6,483 | - | 6,962 | 95,871 |
| Exchange adjustments | (21,259) | - | - | (5,850) | - | (156) | - | (252) | (27,517) |
| As at 31 December 2022 | <u>(1,076,033)</u> | <u>(523,783)</u> | <u>(8,124)</u> | <u>(1,367,468)</u> | <u>(15,066)</u> | <u>(113,441)</u> | <u>-</u> | <u>(111,052)</u> | <u>(3,214,967)</u> |
| Impairment | | | | | | | | | |
| As at 1 January 2022 and 31 December 2022 | <u>(92,253)</u> | - | - | - | - | - | - | - | <u>(92,253)</u> |
| Net carrying amount | | | | | | | | | |
| As at 31 December 2022 | <u>2,006,785</u> | <u>155,398</u> | <u>41,281</u> | <u>693,648</u> | <u>5,439</u> | <u>29,483</u> | <u>189,909</u> | <u>54,915</u> | <u>3,176,858</u> |

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

23. PROPERTY AND EQUIPMENT (continued)

| | Buildings | Leasehold improvements | Machinery | Electronic equipment | Communication equipment | Motor vehicles | CIP | Others | Total |
|--|------------------|------------------------|----------------|----------------------|-------------------------|------------------|----------------|------------------|--------------------|
| Cost | | | | | | | | | |
| As at 1 January 2021 | 4,675,910 | 954,783 | 69,244 | 1,760,090 | 19,952 | 150,473 | 265,466 | 175,363 | 8,071,281 |
| Additions | 418 | 29,832 | 1,221 | 273,900 | 842 | 13,480 | 196,918 | 3,778 | 520,389 |
| Transfers during the year | (1,009,459) | 470 | 867 | 54,674 | - | - | (59,224) | 3,684 | (1,008,988) |
| Disposals | (26,004) | (75,397) | (1,736) | (46,424) | (51) | (13,336) | (141,086) | (1,878) | (305,912) |
| Lost control of a subsidiary | (859,089) | (222,964) | (19,273) | (240,689) | (1,197) | (11,296) | (42,391) | (12,967) | (1,409,866) |
| As at 31 December 2021 | <u>2,781,776</u> | <u>686,724</u> | <u>50,323</u> | <u>1,801,551</u> | <u>19,546</u> | <u>139,321</u> | <u>219,683</u> | <u>167,980</u> | <u>5,866,904</u> |
| Accumulated depreciation | | | | | | | | | |
| As at 1 January 2021 | (978,904) | (609,142) | (12,673) | (1,125,042) | (12,066) | (116,962) | - | (99,932) | (2,954,721) |
| Depreciation charge | (76,420) | (114,077) | (7,785) | (231,755) | (2,344) | (13,263) | - | (15,342) | (460,986) |
| Transfer during the year | 21,500 | - | - | - | - | - | - | - | 21,500 |
| Disposals | 4,077 | 48,900 | 1,613 | 45,259 | 43 | 11,922 | - | 1,466 | 113,280 |
| Lost control of a subsidiary | 49,431 | 183,205 | 16,819 | 178,520 | 1,137 | 7,797 | - | 10,153 | 447,062 |
| As at 31 December 2021 | <u>(980,316)</u> | <u>(491,114)</u> | <u>(2,026)</u> | <u>(1,133,018)</u> | <u>(13,230)</u> | <u>(110,506)</u> | <u>-</u> | <u>(103,655)</u> | <u>(2,833,865)</u> |
| Impairment | | | | | | | | | |
| As at 1 January 2021 and 31 December 2021 | <u>(92,253)</u> | - | - | - | - | - | - | - | <u>(92,253)</u> |
| Net carrying amount | | | | | | | | | |
| As at 31 December 2021 | <u>1,709,207</u> | <u>195,610</u> | <u>48,297</u> | <u>668,533</u> | <u>6,316</u> | <u>28,815</u> | <u>219,683</u> | <u>64,325</u> | <u>2,940,786</u> |

As at 31 December 2022, the Group has not yet obtained the relevant building certificates for buildings with costs of RMB91,681 thousand.

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

24. INVESTMENT PROPERTY

| | Properties and Buildings |
|---|-------------------------------------|
| Cost | |
| As at 31 December 2021 | 1,009,458 |
| Transfer during the year | 66,832 |
| Business combination | <u>75,839</u> |
| As at 31 December 2022 | <u>1,152,129</u> |
| Accumulated depreciation | |
| As at 31 December 2021 | (36,183) |
| Charge for the year | <u>(21,783)</u> |
| As at 31 December 2022 | <u>(57,966)</u> |
| Impairment | |
| As at 31 December 2021 and 31 December 2022 | <u>-</u> |
| Net carrying amount | |
| As at 31 December 2022 | <u><u>1,094,163</u></u> |
| As at 31 December 2021 | <u><u>973,275</u></u> |

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

25. LEASES

(a) Right-of-use assets

| | Buildings | Prepaid land lease payments | Total |
|---|--------------------|--|--------------------|
| Cost | | | |
| As at 1 January 2021 | 3,016,745 | 876,029 | 3,892,774 |
| Increases | 827,510 | – | 827,510 |
| Decreases | (883,111) | – | (883,111) |
| Lost control of a subsidiary | (299,843) | (104) | (299,947) |
| As at 31 December 2021 | 2,661,301 | 875,925 | 3,537,226 |
| Increases | 465,485 | – | 465,485 |
| Business combination | 43,248 | – | 43,248 |
| Decreases | (315,730) | – | (315,730) |
| Exchange adjustments | 7,551 | – | 7,551 |
| As at 31 December 2022 | 2,861,855 | 875,925 | 3,737,780 |
| Accumulated depreciation | | | |
| As at 1 January 2021 | (1,251,110) | (128,869) | (1,379,979) |
| Depreciation charge | (572,965) | (19,076) | (592,041) |
| Decreases | 756,980 | – | 756,980 |
| Lost control of a subsidiary | 164,675 | 103 | 164,778 |
| As at 31 December 2021 | (902,420) | (147,842) | (1,050,262) |
| Depreciation charge | (590,214) | (19,076) | (609,290) |
| Decreases | 312,279 | – | 312,279 |
| Exchange adjustments | (2,428) | – | (2,428) |
| As at 31 December 2022 | (1,182,783) | (166,918) | (1,349,701) |
| Impairment | | | |
| As at 1 January 2021 | (22,052) | – | (22,052) |
| Decreases | 22,052 | – | 22,052 |
| As at 31 December 2021 and 31 December 2022 | – | – | – |
| Net carrying amount | | | |
| As at 31 December 2022 | 1,679,072 | 709,007 | 2,388,079 |
| As at 31 December 2021 | 1,758,881 | 728,083 | 2,486,964 |

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

25. LEASES (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2022 | 2021 |
| Carrying amount at 1 January | 1,940,108 | 1,953,629 |
| New leases | 460,221 | 807,691 |
| Accretion of interest recognized during the year | 69,217 | 78,149 |
| Business combination | 44,997 | - |
| Modification of leases | 4,709 | (145,804) |
| Payments | (634,077) | (600,541) |
| Lost control of a subsidiary | - | (153,016) |
| | <u>1,885,175</u> | <u>1,940,108</u> |
| Carrying amount at 31 December | | |
| Analyzed into: | | |
| Current portion | <u>571,474</u> | <u>510,987</u> |
| Non-current portion | <u>1,313,701</u> | <u>1,429,121</u> |

As at 31 December 2022, the maturity analysis of lease liabilities is as follows:

| | As at 31 December | |
|---------------------------|-------------------|------------------|
| | 2022 | 2021 |
| Within 1 year (inclusive) | 571,474 | 510,987 |
| 1 to 5 years (inclusive) | 1,261,951 | 1,418,703 |
| After 5 years | <u>51,750</u> | <u>10,418</u> |
| Total | <u>1,885,175</u> | <u>1,940,108</u> |

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

25. LEASES (continued)

(c) The amounts recognized in profit or loss in relation to leases are as follows:

| | Year ended 31 December | |
|--|------------------------|-----------------------|
| | 2022 | 2021 |
| Interest expense on lease liabilities | 69,217 | 78,149 |
| Depreciation charge of right-of-use assets | 609,290 | 592,041 |
| Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2022 (included in other operating expenses and costs) | 23,009 | 27,390 |
| Expense relating to leases of low-value assets (included in other operating expenses and costs) | <u>8,602</u> | <u>9,087</u> |
| Total amount recognized in profit or loss | <u><u>710,118</u></u> | <u><u>706,667</u></u> |

(d) Extension and termination options

The Group has some lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. These options will not have a significant impact on the Group's financial statements.

26. GOODWILL

(1) Change in goodwill

| | |
|---|-------------------------|
| Cost | |
| As at 1 January 2022 | 20,896 |
| Acquisition through business combination | <u>4,049,865</u> |
| As at 31 December 2022 | ----- 4,070,761 |
| Impairment losses | |
| As at 1 January 2022 and 31 December 2022 | ----- - |
| Carrying amounts | |
| As at 1 January 2022 | <u>20,896</u> |
| As at 31 December 2022 | <u><u>4,070,761</u></u> |

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

26. GOODWILL (continued)

(2) Impairment testing on goodwill

The goodwill acquired from business combination is assessed for impairment at each annual financial reporting date. The recoverable amount is the higher of an asset’s fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset (value in use, “VIU”).

| | As at 31 December | |
|--|--------------------------|---------------|
| | 2022 | 2021 |
| HuaAn Funds ^(a) | 4,049,865 | – |
| Guotai Junan Securities (Vietnam) Corporation ^(b) | 18,405 | 18,405 |
| Guotai Junan Futures Co., Ltd. ^(b) | 2,491 | 2,491 |
| Total | <u>4,070,761</u> | <u>20,896</u> |

- (a) On 4 November 2022, the Company acquired 8% of the shares in HuaAn Funds. As a result, the Company’s equity interests in HuaAn Funds increased from 43% to 51%, granting it control of HuaAn Funds (see Note 28(c)). The goodwill was resulted from HuaAn Funds’ business value as a whole, therefore, the Group regarded HuaAn Funds as one CGU.

On 31 December 2022, when performing the goodwill impairment test for HuaAn Funds, the recoverable amount of the CGU was determined as its VIU. The Group calculated the CGU’s VIU through a discounted cash flow model based on approved business plans and discount rates that reflect specific risks of the relevant CGU. The cash flow after the forecast period is extrapolated according to a stable growth rate and a terminal value. The forecast period is from 2023 to 2027. No impairment losses for the CGU were identified nor recognized.

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

26. GOODWILL (continued)

(2) Impairment testing on goodwill (continued)

(a) (continued)

The main parameters the Group applied when performing goodwill impairment tests of the above CGU were as follows:

| | 31 December 2022 |
|---------------------------------------|-----------------------------|
| Income growth rate in forecast period | 3.15% ~ 18.20% |
| Profit margin in forecast period | 35.75% ~ 37.66% |
| Terminal value growth rate | 0% |
| Pre-tax discount rate | 14.13% |

(b) GJIHL acquired 50.97% equity interests in Guotai Junan Securities (Vietnam) Corporation (former "Vietnam Investment Securities Company") from a third party in December 2019. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the cash-generating unit of Guotai Junan Securities (Vietnam) Corporation.

The Company acquired 100% of the equity interests in Guotai Junan Futures Co., Ltd. from a third party in July 2007. The Group recognized the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the CGU of Guotai Junan Futures Co., Ltd.

On 31 December 2022, the estimated recoverable amount of the CGUs of Guotai Junan Futures Co., Ltd. and Guotai Junan Securities (Vietnam) Corporation exceeded their carrying amount therefore no impairment loss was recognized. The key assumptions include comparable quoted prices, budgeted revenue growth rates and discount rates, which represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

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

27. OTHER INTANGIBLE ASSETS

| | Software | Trading seats rights | Others | Total |
|---|------------------|-------------------------|----------------|--------------------|
| Cost | | | | |
| As at 1 January 2022 | 1,366,510 | 205,775 | 14,263 | 1,586,548 |
| Additions | 270,178 | - | - | 270,178 |
| Business combination | 6,666 | - | - | 6,666 |
| Disposal | (56) | - | - | (56) |
| Exchange adjustments | - | 356 | 14 | 370 |
| As at 31 December 2022 | <u>1,643,298</u> | <u>206,131</u> | <u>14,277</u> | <u>1,863,706</u> |
| Accumulated amortization | | | | |
| As at 1 January 2022 | (779,825) | (126,259) | (2,172) | (908,256) |
| Amortization | (205,657) | - | (499) | (206,156) |
| Disposal | 56 | - | - | 56 |
| Exchange adjustments | - | (146) | (3) | (149) |
| As at 31 December 2022 | <u>(985,426)</u> | <u>(126,405)</u> | <u>(2,674)</u> | <u>(1,114,505)</u> |
| Impairment | | | | |
| As at 1 January 2022 and 31 December 2022 | - | (4,927) | (10,475) | (15,402) |
| Net carrying amount | | | | |
| As at 31 December 2022 | <u>657,872</u> | <u>74,799</u> | <u>1,128</u> | <u>733,799</u> |

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

27. OTHER INTANGIBLE ASSETS (continued)

| | Software | Trading seats rights | Securities and futures brokerage qualification | Others | Total |
|--|------------------|-------------------------|---|-----------------|--------------------|
| Cost | | | | | |
| As at 1 January 2021 | 1,252,253 | 206,186 | 1,066,264 | 15,903 | 2,540,606 |
| Additions | 264,710 | 33 | - | 9 | 264,752 |
| Disposal | - | (444) | - | - | (444) |
| Lost control of a subsidiary | <u>(150,453)</u> | <u>-</u> | <u>(1,066,264)</u> | <u>(1,649)</u> | <u>(1,218,366)</u> |
| As at 31 December 2021 | <u>1,366,510</u> | <u>205,775</u> | <u>-</u> | <u>14,263</u> | <u>1,586,548</u> |
| Accumulated amortization | | | | | |
| As at 1 January 2021 | (718,566) | (126,539) | - | (2,286) | (847,391) |
| Amortization | (179,556) | (19) | - | (691) | (180,266) |
| Disposal | - | 299 | - | - | 299 |
| Lost control of a subsidiary | <u>118,297</u> | <u>-</u> | <u>-</u> | <u>805</u> | <u>119,102</u> |
| As at 31 December 2021 | <u>(779,825)</u> | <u>(126,259)</u> | <u>-</u> | <u>(2,172)</u> | <u>(908,256)</u> |
| Impairment | | | | | |
| As at 1 January 2021 and 31 December 2021 | <u>-</u> | <u>(4,927)</u> | <u>-</u> | <u>(10,475)</u> | <u>(15,402)</u> |
| Net carrying amount | | | | | |
| As at 31 December 2021 | <u>586,685</u> | <u>74,589</u> | <u>-</u> | <u>1,616</u> | <u>662,890</u> |

28. INVESTMENTS IN SUBSIDIARIES

| | As at 31 December | |
|----------------------------------|--------------------------|-------------------|
| | 2022 | 2021 |
| Unlisted shares, carried at cost | 26,965,388 | 19,899,368 |
| Less: Impairment losses | <u>-</u> | <u>-</u> |
| Total | <u>26,965,388</u> | <u>19,899,368</u> |

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

28. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Details of the subsidiaries held by the Company

The following list contains particulars of the subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

| Name of company | Place of registration or primary business | Paid-in capital | Principal activities | Equity interests held as at 31 December | |
|---|---|------------------|---|---|------|
| | | | | 2022 | 2021 |
| Guotai Junan Innovation Investment Co., Ltd. ⁽¹⁾⁽³⁾ | Shanghai PRC | RMB7,500,000,000 | Equity investment and investment consulting | 100% | 100% |
| Shanghai Guotai Junan Securities Asset Management Co., Ltd. ("GTJA Asset Management") ⁽¹⁾⁽³⁾ | Shanghai PRC | RMB2,000,000,000 | Securities asset management and fund management | 100% | 100% |
| Guotai Junan Zhengyu Investment Co., Ltd. ⁽¹⁾⁽³⁾ | Shanghai PRC | RMB4,000,000,000 | Equity investment and financial products investment | 100% | 100% |
| Shanghai Guoxiang Real Estate Co., Ltd. ⁽¹⁾⁽³⁾ | Shanghai PRC | RMB1,050,000,000 | Real estate and property management | 100% | 100% |
| Guotai Junan Financial Holdings Limited ⁽¹⁾ | HK PRC | HKD2,611,980,000 | Investment service | 100% | 100% |
| Guotai Junan Risk Management Co., Ltd. ⁽³⁾ | Shanghai PRC | RMB1,200,000,000 | Warehouse service, cooperation hedge, investment management and corporate management consulting | 100% | 100% |
| Shanghai Gelong Entrepreneurship Investment Co., Ltd. ⁽³⁾ | Shanghai PRC | RMB100,000,000 | Venture capital investment and management | 100% | 100% |
| Shanghai GTJA Juntong Investment Management Co., Ltd. ⁽³⁾ | Shanghai PRC | RMB10,000,000 | Investment management, industrial investment and investment consulting | 100% | 100% |
| Guotai Junan (Shanghai) Science and Technology Equity Investment Fund Management Co., Ltd. ⁽³⁾ | Shanghai PRC | N/A | Equity investment, venture capital investment and asset management | N/A | 100% |
| Guotai Junan Futures Co., Ltd. ⁽¹⁾⁽³⁾ | Shanghai PRC | RMB5,000,000,000 | Futures brokerage and futures investment consulting | 100% | 100% |
| Guotai Junan Capital Management Co., Ltd. ("Guotai Junan Capital") ⁽³⁾ | Shanghai PRC | RMB1,233,563,200 | Asset management, equity investment and fund management | 99% | 99% |

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

28. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Details of the subsidiaries held by the Company (continued)

| Name of company | Place of registration or primary business | Paid-in capital | Principal activities | Equity interests held as at 31 December | |
|---|---|-------------------|---|---|--------|
| | | | | 2022 | 2021 |
| GTJA Yuancheng (Shanghai) Private Fund Management Co., Ltd. (formerly known as "Shanghai North Industries GTJA Investment Management Co., Ltd.") ⁽³⁾ | Shanghai PRC | RMB730,025,345 | Investment management, industrial investment and investment consulting | 99% | 99% |
| Shanghai GTJA Haojing Investment Management Co., Ltd. ⁽³⁾ | Shanghai PRC | RMB10,000,000 | Investment management, industrial investment and investment consulting | 100% | 100% |
| Guotai Junan Futures (Singapore) Pte. Ltd. | Singapore | SGD8,000,000 | Commodity futures and foreign exchange brokers and dealers | 100% | 100% |
| HuaAn Funds ⁽¹⁾⁽³⁾ | Shanghai PRC | RMB150,000,000 | Fund establishment and fund management | 51% | 28% |
| HuaAn Asset Management (Hong Kong) Limited | HK PRC | HKD100,000,000 | Financial services | 51% | 28% |
| HuaAn Future Asset Management (Shanghai) Limited ⁽³⁾ | Shanghai PRC | RMB278,700,000 | Asset management for specific clients | 51% | 28% |
| Guotai Junan Investments (Hong Kong) Limited | HK PRC | HKD1,533,500,000 | Investment | 100% | 100% |
| Guotai Junan Consultancy Services (Shenzhen) Limited ⁽³⁾ | Shenzhen PRC | HKD12,000,000 | Investment consulting, marketing planning and corporate management consulting | 100% | 100% |
| Guotai Junan Holdings Limited | British Virgin Is. | USD1 | Debt financing | 100% | 100% |
| GJIHL | HK PRC | HKD10,902,194,720 | Investment and financing | 73.74% | 73.24% |
| Guotai Junan (Hong Kong) Limited | Samoa | USD816,300,000 | Investment and administrative management | 73.74% | 73.24% |
| Guotai Junan Fund Management Limited ⁽²⁾ | HK PRC | HKD10,000,000 | Fund management and securities trading | 36.87% | 36.62% |
| Guotai Junan Securities (Hong Kong) Limited | HK PRC | HKD7,500,000,000 | Securities brokerage | 73.74% | 73.24% |
| Guotai Junan Finance (Hong Kong) Limited | HK PRC | HKD300,000,000 | Investment and financing | 73.74% | 73.24% |
| Guotai Junan Futures (Hong Kong) Limited | HK PRC | HKD50,000,000 | Futures brokerage | 73.74% | 73.24% |
| Guotai Junan Capital Limited | HK PRC | HKD50,000,000 | Investment consulting | 73.74% | 73.24% |

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

28. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Details of the subsidiaries held by the Company (continued)

| Name of company | Place of registration or primary business | Paid-in capital | Principal activities | Equity interests held as at 31 December | |
|--|---|------------------|-----------------------------------|---|--------|
| | | | | 2022 | 2021 |
| Guotai Junan Asset Management (Asia) Limited | HK PRC | HKD50,000,000 | Fund management | 73.74% | 73.24% |
| Guotai Junan FX Limited | HK PRC | HKD30,000,000 | Foreign exchange dealing | 73.74% | 73.24% |
| Guotai Junan International (Singapore) Pte. Limited | Singapore | SGD9,300,000 | Investment management | 73.74% | 73.24% |
| Guotai Junan International Asset Management (Singapore) Pte. Limited | Singapore | SGD4,200,000 | Asset management | 73.74% | 73.24% |
| Guotai Junan Financial Products Limited | HK PRC | HKD1,000,000 | Investment and securities trading | 73.74% | 73.24% |
| Guotai Junan International Securities (Singapore) Pte. Limited | Singapore | SGD3,500,000 | Securities brokerage | 73.74% | 73.24% |
| Guotai Junan Global Limited | British Virgin Is. | USD5,000,000 | Investment management | 100% | 100% |
| Guotai Junan Securities USA Holding, Inc. | USA | USD5,000,000 | Investment management | 100% | 100% |
| Guotai Junan Securities USA, Inc. | USA | USD5,000,000 | M&A consulting services | 100% | 100% |
| Guotai Junan Securities (Vietnam) Corporation ⁽⁴⁾ | Vietnam | VND693.5 billion | Securities brokerage | 37.59% | 37.33% |

- (1) These subsidiaries are directly held by the Company.
- (2) GJIHL, a subsidiary controlled by the Company through its voting rights of 73.74%, who considers that it has the ability to govern the financial and operating policies of Guotai Junan Fund Management Limited as it has the power to appoint or remove the majority of the members of the board of directors of Guotai Junan Fund Management Limited. As a result, Guotai Junan Fund Management Limited is accounted for as a subsidiary of the Company.
- (3) All of the subsidiaries established in the PRC are registered as companies with limited liability under PRC law.
- (4) GJIHL, a subsidiary controlled by the Company through its voting rights of 73.74%, controls Guotai Junan Securities (Vietnam) Corporation by holding 50.97% of its equity interests. As a result, Guotai Junan Securities (Vietnam) Corporation is accounted for as a subsidiary of the Company.

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28. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Partially-owned subsidiaries with material non-controlling interests

The following table lists the information related to the major subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarized financial information presented below represents the amounts before any inter-company elimination.

| | As at 31 December 2022 (Unaudited) |
|--|--|
| HuaAn Funds | |
| NCI percentage | 49% |
| Current assets | 3,119,630 |
| Non-current assets | 3,887,381 |
| Current liabilities | 1,918,174 |
| Non-current liabilities | 87,374 |
| Net assets | 5,001,463 |
| Carrying amount of NCI | 2,450,702 |
| | Period from 4 November 2022 to 31 December 2022 (Unaudited) |
| Total revenue and other income | 593,176 |
| Total expenses and income tax expense | 406,261 |
| Profit for the year | 186,915 |
| Total comprehensive income | 184,502 |
| Profit attributable to NCI | 91,588 |
| Other comprehensive income attributable to NCI | (1,182) |
| Distribution to NCI | - |
| Cash flows generated from operating activities | 79,114 |
| Cash flows used in investing activities | (69,751) |
| Cash flows used in financing activities | (8,437) |

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

28. INVESTMENTS IN SUBSIDIARIES *(continued)*

(b) Partially-owned subsidiaries with material non-controlling interests *(continued)*

| GJIHL | As at 31 December | |
|--|------------------------|-------------|
| | 2022 | 2021 |
| NCI percentage | 26.26% | 26.76% |
| Current assets | 69,382,810 | 72,098,928 |
| Non-current assets | 14,991,085 | 14,802,217 |
| Current liabilities | 59,395,621 | 64,852,361 |
| Non-current liabilities | 11,636,218 | 9,427,543 |
| Net assets | 13,342,056 | 12,621,241 |
| Carrying amount of NCI | 3,640,012 | 3,477,948 |
| | Year ended 31 December | |
| | 2022 | 2021 |
| Total revenue and other income | 1,992,961 | 3,297,612 |
| Total expenses and income tax expense | 1,921,602 | 2,381,588 |
| Profit for the year | 71,359 | 916,024 |
| Total comprehensive income | 29,085 | 955,040 |
| Profit attributable to NCI | 21,001 | 268,813 |
| Distribution to NCI | 110,448 | 212,242 |
| Cash flows generated from operating activities | 1,866,885 | 5,051,626 |
| Cash flows used in investing activities | (33,768) | (35,753) |
| Cash flows generated from/(used in) financing activities | 251,396 | (5,126,945) |

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

28. INVESTMENTS IN SUBSIDIARIES *(continued)*

(c) Acquisition of subsidiary

In accordance with the requirements in the approval from CSRC and the relevant administrative regulations on state-owned assets, industrial and commercial registration and filing procedures for the acquisition of 8% equity interests in HuaAn Funds was completed in November 2022. Accordingly, the Company's equity interests in HuaAn Funds have been changed to 51%. HuaAn Funds has become a subsidiary of the Company.

(1) Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

| | HuaAn Funds |
|------|--------------------|
| Cash | <u>1,062,700</u> |

(2) Identifiable assets acquired and liabilities assumed

The following table summarises the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

| | HuaAn Funds |
|---|--------------------|
| Property and equipment | 242,366 |
| Investment property | 206,687 |
| Right-of-use assets | 43,248 |
| Other intangible assets | 6,666 |
| Debt investments at amortised cost | 3,070,835 |
| Equity instruments at fair value through other comprehensive income | 25,000 |
| Financial assets at fair value through profit or loss | 2,343,447 |
| Deferred tax assets | 275,934 |
| Accounts receivable | 354,130 |
| Other current assets | 83,572 |
| Cash and bank balances | 189,303 |
| Employee benefits payable | (1,095,139) |
| Income tax payable | (197,837) |
| Lease liabilities | (44,997) |
| Other current liabilities | (608,905) |
| Deferred tax liabilities | <u>(77,379)</u> |
| Total identifiable net assets at fair value | <u>4,816,931</u> |

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

28. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Acquisition of subsidiary (continued)

(2) Identifiable assets acquired and liabilities assumed (continued)

The fair value is based on quoted prices (unadjusted) in active markets for identical assets when the market are available; Where there is no active market, but there is an active market for the identical or similar assets, the fair value is referred to the market price of the identical or similar assets; Where there is no active market for identical or similar assets, valuation techniques are used to determine the fair value.

The above identifiable liabilities are based on the fair value of the amount payable or the present value of the amount payable.

(3) Goodwill

Goodwill arising from the acquisition has been recognized as follows.

| | <i>Note</i> | HuaAn Funds |
|---|-------------|--------------------|
| Consideration transferred | 28(c)(1) | 1,062,700 |
| NCI, based on their proportionate interest in the recognized amounts of the assets and liabilities of HuaAn Funds | | 2,360,296 |
| Fair value of pre-existing interest in HuaAn Funds | | 5,443,800 |
| Less: fair value of identifiable net assets | 28(c)(2) | <u>(4,816,931)</u> |
| Goodwill | | <u>4,049,865</u> |

The goodwill is mainly attributable to the expected synergies, revenue growth, and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, HuaAn Funds contributed RMB593,176 thousand to the Group's operating revenue and RMB186,915 thousand to the consolidated profit for the year ended 31 December 2022.

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29. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in consolidated structured entities

The Group has consolidated certain structured entities, including investment funds, asset management plans and limited partnerships etc. For those structured entities where the Group is involved as a manager, investment adviser or general partner, the Group assesses whether the combination of investments it held together with its remuneration creates an exposure to variability of returns from the activities of those structured entities that is of such significance that indicates that the Group is a principal.

Interests held by other investors in these consolidated structured entities were classified as financial liabilities at fair value through profit or loss, other current liabilities and other non-current liabilities in the consolidated statement of financial position.

(b) Interests in unconsolidated structured entities

The Group exercised the power over the structured entities including investment funds, asset management plans, trust schemes, wealth management products and limited partnerships by acting as a manager or general partner during the year. Except for the structured entities the Group has consolidated as stated in Note 29(a), in management's opinion, the Group's exposure to variable returns of these structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in unconsolidated investment funds, asset management plans, trust schemes, wealth management products and limited partnerships managed by the Group as financial assets at fair value through profit or loss and investments in associates and joint ventures. As at 31 December 2022 and 2021, the carrying amounts of the Group's interests in unconsolidated structured entities were RMB13,929 million and RMB8,937 million, respectively. The management fee arising from these unconsolidated structured entities in which the Group did not hold interest amounted to RMB1,115 million and RMB862 million for the years ended 31 December 2022 and 2021, respectively.

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

29. INTERESTS IN STRUCTURED ENTITIES *(continued)*

(c) Interests in structured entities sponsored by third party institutions

The types of structured entities that the Group does not consolidate but in which it holds interests include investment funds, limited partnerships, asset management plans, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 31 December 2022 and 31 December 2021, which are listed as below:

| | As at 31 December 2022 | | As at 31 December 2021 | |
|---|------------------------|--------------------|------------------------|-------------------|
| | Carrying amount | Maximum exposure | Carrying amount | Maximum exposure |
| Financial assets at fair value through profit or loss | <u>102,448,858</u> | <u>102,448,858</u> | <u>91,339,244</u> | <u>91,339,244</u> |

30. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

| | As at 31 December | |
|---------------------|--------------------------|-------------------|
| | 2022 | 2021 |
| Share of net assets | | |
| – Associates | 6,362,391 | 7,434,717 |
| – Joint ventures | 5,081,873 | 5,492,824 |
| Total | <u>11,444,264</u> | <u>12,927,541</u> |

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

30. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

At the end of each reporting period, the Group had the following associates and joint ventures:

| Name of associates and joint ventures | Place of incorporation or primary business | Registered capital/ Capital commitment (Expressed in yuan) | Principal activities | Percentage of equity interests as at 31 December | |
|---|--|--|--|--|-------|
| | | | | 2022 | 2021 |
| Associates: | | | | | |
| Shenzhen GTJA Shenyi Phase I Investment Fund LLP | Shenzhen PRC | RMB400,000,000 | Investment management and advisory | 25% | 25% |
| Shanghai Kechuang Center Equity Investment Fund Management Co., Ltd. ⁽²⁾ | Shanghai PRC | RMB100,000,000 | Investment and equity investment management | 13% | 13% |
| Shenzhen United Property and Share Rights Exchange ⁽²⁾ | Shenzhen PRC | RMB500,000,000 | Provision of intermediary services and equity registration services for equity trading | 10% | 10% |
| Shanghai Jizhi Consulting & Management Co., Ltd. ⁽²⁾ | Shanghai PRC | RMB10,000,000 | Enterprise management consulting, lease of non-residential and residential real estate | 15% | 15% |
| Shanghai Urban Renewal Guidance Private Fund LLP ⁽²⁾ | Shanghai PRC | RMB10,002,000,000 | Investment management and equity investment | 0.01% | 0.01% |
| Shanghai Securities | Shanghai PRC | RMB5,326,532,000 | Securities brokerage, proprietary trading, underwriting and investment consulting | 24.99% | 25% |
| Shanghai Lingang GTJA Technology Frontier Industry Private Fund LLP | Shanghai PRC | RMB8,020,000,000 | Investment management, equity investment and asset management | 25% | - |
| Joint ventures: | | | | | |
| Xiamen Junxin Equity Investment Company LLP ⁽²⁾ | Xiamen PRC | RMB200,100,000 | Equity investment and advisory | 10% | 10% |
| Shanghai Guojun Chuangtou Longxu Investment Management Centre LLP | Shanghai PRC | RMB100,000,000 | Industrial investment and investment management | 25% | 25% |
| Shanghai Guojun Chuangtou Longsheng Investment Centre LLP | Shanghai PRC | RMB500,000,000 | Industrial investment and investment management | 20% | 20% |
| Shanghai Guojun Chuangtou Longzhao Investment Management Centre LLP ⁽¹⁾ | Shanghai PRC | RMB1,000,200,000 | Industrial investment and investment management | 55% | 55% |
| Shanghai Junzheng Investment Management Co., Ltd. ⁽¹⁾ | Shanghai PRC | RMB10,000,000 | Investment management and advisory | 61% | 61% |
| Shanghai Guojun Chuangtou Zhengjun No.2 Equity Investment LLP | Shanghai PRC | RMB100,010,000 | Investment management and advisory | 25% | 25% |
| Juntong Phase II Fund | Shanghai PRC | RMB401,000,000 | Investment management and advisory | 50% | 50% |
| Shanghai North Industries GTJA Investment Centre LLP ⁽²⁾ | Shanghai PRC | RMB652,000,000 | Investment management and advisory | 16% | 16% |
| Shanghai GTJA Chuangxin Equity Investment Master Fund Center LLP | Shanghai PRC | RMB8,008,000,000 | Equity investment and advisory | 50% | 50% |
| Qingdao GTJA Xinxing No.1 Equity Investment Fund LLP | Qingdao PRC | RMB728,500,000 | Equity investment and advisory | 48% | 48% |
| Yancheng GTJA Zhiyuan No.1 Investment Centre LLP | Yancheng PRC | RMB500,000,000 | Equity investment and investment advisory | 20% | 20% |

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

30. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

- (1) Although the Group's percentages of shareholdings in these investees are higher than 50%, they are accounted for as joint ventures as the Group only has joint control over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.
- (2) Although the Group's percentages of shareholdings in these investees are lower than 20%, they are accounted for as associates or joint ventures as the Group has significant influence over these investees due to the relevant arrangements stipulated in the articles of association or other agreements.

The following table summarises unaudited financial information of Shanghai Securities and HuaAn Funds as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies, if any. The table also reconciles the summarized financial information to the carrying amount of the Group's interests in Shanghai Securities and HuaAn Funds.

Shanghai Securities

| | As at 31 December | |
|---|------------------------|-------------------|
| | 2022 (Unaudited) | 2021 (Audited) |
| Gross amounts of the associate | | |
| Assets | 67,448,004 | 69,802,891 |
| Liabilities | 50,391,341 | 52,874,614 |
| Net assets | 17,056,663 | 16,928,277 |
| Net assets pro rata to shareholding ratio | 4,262,460 | 4,230,376 |
| Other adjustments | 1,129,041 | 1,135,862 |
| Carrying amount of interest in associate | 5,391,501 | 5,366,238 |
| | Year ended 31 December | |
| | 2022 (Unaudited) | 2021 (Audited) |
| Revenue | 2,860,536 | 2,280,054 |
| Profit for the year | 297,214 | 766,106 |
| Other comprehensive income | (168,828) | 274,550 |
| Total comprehensive income | 128,386 | 1,040,656 |
| Dividend received from the associate | - | - |

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30. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

HuaAn Funds

| | As at 31 December 2021 (Audited) |
|--|---|
| Gross amounts of the associate | |
| Assets | 6,245,703 |
| Liabilities | 2,097,714 |
| Net assets | 4,147,989 |
| Net assets based on shareholding ratio | 1,161,437 |
| Other adjustments | 729,229 |
| Carrying amount of interest in associate | 1,890,666 |
| | Year ended 31 December 2021 (Audited) |
| Revenue | 3,630,983 |
| Profit for the year | 1,005,772 |
| Other comprehensive income | (2,671) |
| Total comprehensive income | 1,003,101 |
| Dividend received from the associate | 60,000 |

The following table illustrates the aggregate financial information of the Group's associates and joint ventures that are not individually material:

| | Year ended 31 December | |
|--|-------------------------------|---------------|
| | 2022 | 2021 |
| Share of associates' profit for the year | <u>21,038</u> | <u>32,330</u> |
| Share of joint ventures' profit for the year | <u>315,913</u> | <u>86,239</u> |

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

30. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2022 | 2021 |
| Share of associates' total comprehensive income for the year | <u>21,038</u> | <u>20,138</u> |
| Share of joint ventures' total comprehensive income for the year | <u>311,936</u> | <u>366,303</u> |
| | As at 31 December | |
| | 2022 | 2021 |
| Aggregate carrying amount of the Group's investments in associates | <u>970,890</u> | <u>177,813</u> |
| Aggregate carrying amount of the Group's investments in joint ventures | <u>5,081,873</u> | <u>5,492,824</u> |

31. DEBT INVESTMENTS AT AMORTISED COST

Non-current

| | As at 31 December | |
|--------------------------|-------------------|----------|
| | 2022 | 2021 |
| Government bonds | 2,787,707 | - |
| Less: impairment losses | - | - |
| Total | <u>2,787,707</u> | <u>-</u> |
| Analyzed as: | | |
| Listed in Hong Kong | - | - |
| Listed outside Hong Kong | - | - |
| Unlisted | <u>2,787,707</u> | <u>-</u> |
| Total | <u>2,787,707</u> | <u>-</u> |

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

31. DEBT INVESTMENTS AT AMORTISED COST *(continued)*

Current

| | As at 31 December | |
|--------------------------|-----------------------|----------|
| | 2022 | 2021 |
| Government bonds | 368,442 | – |
| Less: impairment losses | <u>–</u> | <u>–</u> |
| Total | <u>368,442</u> | <u>–</u> |
| Analyzed as: | | |
| Listed in Hong Kong | – | – |
| Listed outside Hong Kong | – | – |
| Unlisted | <u>368,442</u> | <u>–</u> |
| Total | <u>368,442</u> | <u>–</u> |

As at 31 December 2022, the carrying amount of debt investments at amortised cost comprises RMB3,027,121 thousand of investment from general risk reserve (31 December 2021: nil).

As at 31 December 2022, ECL allowance provided for debt investments at amortised cost was nil.

32. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current

| | As at 31 December | |
|--------------------------|--------------------------|-------------------|
| | 2022 | 2021 |
| Government bonds | 32,355,793 | 32,110,210 |
| Corporate bonds | 7,795,794 | 7,551,263 |
| Financial bonds | 6,342,509 | 7,887,659 |
| Other bonds | <u>9,865,451</u> | <u>7,485,643</u> |
| Total | <u>56,359,547</u> | <u>55,034,775</u> |
| Analyzed as: | | |
| Listed in Hong Kong | 668,961 | 988,933 |
| Listed outside Hong Kong | 25,631,555 | 27,880,149 |
| Unlisted | <u>30,059,031</u> | <u>26,165,693</u> |
| Total | <u>56,359,547</u> | <u>55,034,775</u> |

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

32. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(continued)

Current

| | As at 31 December | |
|--------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| Government bonds | 2,123,953 | 354,607 |
| Corporate bonds | 1,942,037 | 1,484,747 |
| Other bonds | 763,778 | 7,256,151 |
| Financial bonds | - | 2,708,136 |
| Total | <u>4,829,768</u> | <u>11,803,641</u> |
| Analyzed as: | | |
| Listed in Hong Kong | 197,656 | - |
| Listed outside Hong Kong | 2,759,504 | 4,157,506 |
| Unlisted | 1,872,608 | 7,646,135 |
| Total | <u>4,829,768</u> | <u>11,803,641</u> |

As at 31 December 2022, debt instruments at fair value through other comprehensive income of the Group included approximately RMB53,962,716 thousand of pledged, restricted or transferred assets (31 December 2021: RMB63,820,807 thousand).

(a) Analysis of the movements of allowance for ECLs:

| | Year ended 31 December | |
|--------------------------------|------------------------|----------------|
| | 2022 | 2021 |
| At the beginning of the year | 151,325 | 154,309 |
| Charge for the year | 66,759 | 114,265 |
| Reversal | (48,638) | - |
| Amounts written off and others | (70,446) | (32,871) |
| Lost control of a subsidiary | - | (84,378) |
| At the end of the year | <u>99,000</u> | <u>151,325</u> |

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

32. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

(b) Analysis of the stages of allowance for ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------|----------------------|----------------------|-----------------|----------------------|
| As at 31 December 2022 | <u>68,033</u> | <u>30,967</u> | <u>-</u> | <u>99,000</u> |
| As at 31 December 2021 | <u>80,933</u> | <u>62,044</u> | <u>8,348</u> | <u>151,325</u> |

33. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Non-current

| | As at 31 December | |
|--|-------------------------|-------------------------|
| | 2022 | 2021 |
| Equity securities ⁽¹⁾⁽²⁾⁽³⁾ | <u>2,331,288</u> | <u>2,480,358</u> |
| Total | <u>2,331,288</u> | <u>2,480,358</u> |
| Analyzed as: | | |
| Listed in Hong Kong | 73,520 | - |
| Listed outside Hong Kong | 2,011,326 | 2,034,258 |
| Unlisted | <u>246,442</u> | <u>446,100</u> |
| Total | <u>2,331,288</u> | <u>2,480,358</u> |

- (1) During the year ended 31 December 2022, the Group has designated some investments held as non-trading purpose, as equity instruments at fair value through other comprehensive income. The dividend income relating to equity instruments at fair value through other comprehensive income is disclosed in Note 8.

During the year ended 31 December 2022, the Group disposed of some of the equity instruments at fair value through other comprehensive income in response to the change in external conditions. The accumulated net realized losses and the dividend income of the equity instruments disposed of amounted to RMB200 million (2021: gains of RMB248 million) and RMB165 thousand (2021: RMB785,267 thousand), respectively.

- (2) As at 31 December 2022, equity instruments at fair value through other comprehensive income of the Group included approximately RMB72,709 thousand (2021: RMB100,236 thousand) of pledged, restricted or transferred shares.
- (3) Securities lending of equity instruments at fair value through other comprehensive income of the Group refer to Note 61(2).

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

34. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analyzed by collateral type:

Non-current

| | As at 31 December | |
|--------------------------|-------------------|------------------|
| | 2022 | 2021 |
| Equity securities | 300,552 | 1,924,261 |
| Less: Allowance for ECLs | (1,692) | (30,917) |
| Total | <u>298,860</u> | <u>1,893,344</u> |

Current

| | As at 31 December | |
|--------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| Debt securities | 44,612,790 | 33,015,545 |
| Equity securities | 28,127,233 | 26,681,539 |
| Precious metals | 243,565 | 337,009 |
| Less: Allowance for ECLs | (2,146,228) | (2,344,684) |
| Total | <u>70,837,360</u> | <u>57,689,409</u> |

(b) Analyzed by market:

Non-current

| | As at 31 December | |
|--------------------------|-------------------|------------------|
| | 2022 | 2021 |
| Stock exchanges | 300,552 | 1,924,261 |
| Less: Allowance for ECLs | (1,692) | (30,917) |
| Total | <u>298,860</u> | <u>1,893,344</u> |

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

34. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(b) Analyzed by market: *(continued)*

Current

| | As at 31 December | |
|--------------------------|--------------------------|--------------------|
| | 2022 | 2021 |
| Stock exchanges | 39,715,856 | 38,585,325 |
| Interbank market | 32,497,625 | 17,477,967 |
| Over the counter | 770,107 | 3,970,801 |
| Less: Allowance for ECLs | <u>(2,146,228)</u> | <u>(2,344,684)</u> |
| Total | <u>70,837,360</u> | <u>57,689,409</u> |

(c) Analysis of the movements of allowance for ECLs:

| | Year ended 31 December | |
|--------------------------------|-------------------------|------------------|
| | 2022 | 2021 |
| At the beginning of the year | 2,375,601 | 3,292,531 |
| Charge for the year | 92,226 | - |
| Reversal | (319,958) | (596,813) |
| Amounts written off and others | 51 | (53) |
| Lost control of a subsidiary | - | <u>(320,064)</u> |
| At the end of the year | <u>2,147,920</u> | <u>2,375,601</u> |

(d) Analyzed by the stages of allowance for ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|------------------------|----------------|--------------|------------------|------------------|
| As at 31 December 2022 | <u>121,901</u> | <u>1,149</u> | <u>2,024,870</u> | <u>2,147,920</u> |
| As at 31 December 2021 | <u>108,922</u> | <u>918</u> | <u>2,265,761</u> | <u>2,375,601</u> |

As at 31 December 2022, the carrying amount of financial assets held under resale agreements, for which the loss allowance is measured at an amount equal to 12-month and lifetime expected credit losses, is RMB70,817,275 thousand and RMB318,945 thousand respectively (As at 31 December 2021: RMB58,598,895 thousand and RMB983,858 thousand respectively).

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

34. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *(continued)*

(e) Analyzed by the stages of allowance for ECLs of stock-pledged financing:

| | As at 31 December 2022 | | | |
|--------------------------|------------------------|---------|-------------|-------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross carrying amount | 23,695,195 | 11,526 | 2,333,438 | 26,040,159 |
| Allowance for ECLs | (102,610) | (1,149) | (2,024,870) | (2,128,629) |
| Fair value of collateral | 61,445,387 | 14,232 | 431,310 | 61,890,929 |

| | As at 31 December 2021 | | | |
|--------------------------|------------------------|---------|-------------|-------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross carrying amount | 23,716,501 | 155,470 | 3,095,067 | 26,967,038 |
| Allowance for ECLs | (98,452) | (918) | (2,265,761) | (2,365,131) |
| Fair value of collateral | 73,846,833 | 822,867 | 1,454,595 | 76,124,295 |

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Non-current

| | As at 31 December | |
|---------------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| At fair value through profit or loss: | | |
| Perpetual bonds/preferred stock | 8,851,815 | 7,069,743 |
| Funds | 6,246,243 | 6,094,904 |
| Equity securities | 4,026,833 | 2,293,098 |
| Debt securities | 2,002,052 | 4,489,079 |
| Total | <u>21,126,943</u> | <u>19,946,824</u> |
| Analyzed as: | | |
| Listed in Hong Kong | 4,410,192 | 3,481,517 |
| Listed outside Hong Kong | 2,480,459 | 1,931,102 |
| Unlisted | 14,236,292 | 14,534,205 |
| Total | <u>21,126,943</u> | <u>19,946,824</u> |

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

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Current

| | As at 31 December | |
|---------------------------------------|--------------------|--------------------|
| | 2022 | 2021 |
| At fair value through profit or loss: | | |
| Debt securities | 146,556,372 | 127,265,477 |
| Funds | 90,733,903 | 76,982,953 |
| Equity securities | 47,264,243 | 32,806,547 |
| Asset management schemes | 11,645,982 | 11,244,267 |
| Perpetual bonds/preferred stock | 11,199,316 | 12,531,362 |
| Wealth management products | 1,854,763 | 437,652 |
| Other investments ⁽¹⁾ | 1,019,722 | 3,169,979 |
| Total | <u>310,274,301</u> | <u>264,438,237</u> |
| Analyzed as: | | |
| Listed in Hong Kong | 24,253,783 | 25,927,623 |
| Listed outside Hong Kong | 117,855,989 | 90,053,787 |
| Unlisted | <u>168,164,529</u> | <u>148,456,827</u> |
| Total | <u>310,274,301</u> | <u>264,438,237</u> |

(1) Other investments mainly represent investments in precious metals, etc.

(2) As at 31 December 2022, financial assets at fair value through profit or loss of the Group included approximately RMB147,852,857 thousand (As at 31 December 2021: RMB127,098,355 thousand) of pledged, restricted or transferred assets.

(3) Securities lending of financial assets at fair value through profit or loss of the Group refer to Note 61 (2).

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36. REFUNDABLE DEPOSITS

| | As at 31 December | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| Deposits with exchanges and other financial institutions: | | |
| Futures deposits | 49,539,722 | 34,181,270 |
| Trading deposits | 7,383,043 | 4,373,517 |
| Performance deposits | 1,463,747 | 1,021,154 |
| Credit deposits | 510,753 | 614,583 |
| Other deposits | 25,552 | 605,168 |
| Total | <u>58,922,817</u> | <u>40,795,692</u> |

37. DEFERRED TAX

For the purpose of presentation in the Group's statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

| | As at 31 December | |
|--------------------------|-------------------|------------------|
| | 2022 | 2021 |
| Deferred tax assets | 2,437,814 | 1,845,465 |
| Deferred tax liabilities | <u>(128,523)</u> | <u>(111,309)</u> |
| Total | <u>2,309,291</u> | <u>1,734,156</u> |

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

37. DEFERRED TAX (Continued)

The following are the major deferred tax assets and liabilities recognized and the movements thereon for the years ended 31 December 2022 and 2021:

| Deferred tax arising from: | Allowance for ECLs/impairment losses | Employee benefits payable | Changes in fair value of financial instruments | Fair value revaluation on acquisition of subsidiaries | Deductible tax losses | Others | Total |
|------------------------------|--|---------------------------------|---|--|--------------------------|---------------|------------------|
| As at 1 January 2021 | 1,177,049 | 1,476,962 | (762,454) | (424,319) | 85,984 | 69,301 | 1,622,523 |
| Recognized in profit or loss | 34,279 | 220,479 | (662,017) | 778 | 68,579 | 135,686 | (202,216) |
| Recognized in other | | | | | | | |
| comprehensive income | - | - | 84,410 | - | - | (66,968) | 17,442 |
| Transferred out | - | - | 57,100 | - | - | - | 57,100 |
| Lost control of a subsidiary | (142,087) | (77,877) | 9,431 | 423,541 | - | 26,299 | 239,307 |
| As at 31 December 2021 | 1,069,241 | 1,619,564 | (1,273,530) | - | 154,563 | 164,318 | 1,734,156 |
| Recognized in profit or loss | (161,288) | (74,950) | 347,276 | 865 | 166,864 | (77,495) | 201,272 |
| Recognized in other | | | | | | | |
| comprehensive income | - | - | 224,338 | - | - | 994 | 225,332 |
| Transferred out | - | - | (50,024) | - | - | - | (50,024) |
| Business combination | - | 269,044 | 3,960 | (77,379) | - | 2,930 | 198,555 |
| As at 31 December 2022 | 907,953 | 1,813,658 | (747,980) | (76,514) | 321,427 | 90,747 | 2,309,291 |

The Group did not have significant unrecognized deductible temporary differences and deductible losses.

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

38. OTHER NON-CURRENT ASSETS

| | As at 31 December | |
|-------------------------------|--------------------|--------------------|
| | 2022 | 2021 |
| Advances relating to lawsuits | 343,644 | 256,037 |
| Term loan | 210,244 | 192,434 |
| Rental Deposit | 94,514 | 53,931 |
| Long-term deferred expenses | 47,124 | 48,739 |
| Others | 738,683 | 764,098 |
| Less: Allowance for ECLs | <u>(1,279,727)</u> | <u>(1,211,488)</u> |
| Total | <u>154,482</u> | <u>103,751</u> |

(a) Analysis of the movements of allowance for ECLs:

| | Year ended 31 December | |
|--------------------------------|------------------------|------------------|
| | 2022 | 2021 |
| At the beginning of the year | 1,211,488 | 933,664 |
| Charge for the year | 58,653 | 307,936 |
| Transfer in | - | 165,522 |
| Lost control of a subsidiary | - | (193,199) |
| Reversal | (7,474) | - |
| Amounts written off and others | <u>17,060</u> | <u>(2,435)</u> |
| At the end of the year | <u>1,279,727</u> | <u>1,211,488</u> |

(b) Analyzed by the stages of allowance for ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|------------------------|-----------|----------|------------------|------------------|
| As at 31 December 2022 | <u>86</u> | <u>-</u> | <u>1,279,641</u> | <u>1,279,727</u> |
| As at 31 December 2021 | <u>-</u> | <u>-</u> | <u>1,211,488</u> | <u>1,211,488</u> |

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

39. ACCOUNTS RECEIVABLE

| | As at 31 December | |
|------------------------------|--------------------------|-------------------------|
| | 2022 | 2021 |
| Accounts receivable from: | | |
| – Brokers and dealers | 5,659,009 | 4,807,568 |
| – Settlement | 4,520,124 | 3,121,941 |
| – Fee and commission | 1,299,058 | 1,348,864 |
| – Fund management fee | 299,013 | 1,364 |
| – Cash and custodian clients | 8,854 | 52,992 |
| Less: Allowance for ECLs | <u>(27,008)</u> | <u>(20,707)</u> |
| Total | <u><u>11,759,050</u></u> | <u><u>9,312,022</u></u> |

(a) Analyzed by aging:

| | As at 31 December | |
|-----------------------------|--------------------------|-------------------------|
| | 2022 | 2021 |
| Within 1 year | 11,678,777 | 9,312,022 |
| 1 to 2 years | 67,039 | – |
| 2 to 3 years ⁽¹⁾ | 3,390 | – |
| Over 3 years ⁽¹⁾ | <u>9,844</u> | <u>–</u> |
| Total | <u><u>11,759,050</u></u> | <u><u>9,312,022</u></u> |

(1) Assumed in the business combination.

(b) Analysis of the movements of allowance for ECLs:

| | Year ended 31 December | |
|--------------------------------|------------------------|----------------------|
| | 2022 | 2021 |
| At the beginning of the year | 20,707 | 7,124 |
| Charge for the year | 6,507 | 15,214 |
| Amounts written off and others | <u>(206)</u> | <u>(1,631)</u> |
| At the end of the year | <u><u>27,008</u></u> | <u><u>20,707</u></u> |

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

39. ACCOUNTS RECEIVABLE (continued)

(c) Analyzed by the stages of allowance for ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|------------------------|---------------|----------|----------|---------------|
| As at 31 December 2022 | <u>27,008</u> | <u>-</u> | <u>-</u> | <u>27,008</u> |
| As at 31 December 2021 | <u>20,707</u> | <u>-</u> | <u>-</u> | <u>20,707</u> |

40. OTHER CURRENT ASSETS

| | As at 31 December | |
|--|-------------------|------------------|
| | 2022 | 2021 |
| Prepayments | 1,191,611 | 87,130 |
| Bulk commodity trading inventories | 469,641 | 706,018 |
| Term loan | 207,504 | 825,595 |
| Rental deposit | 149,944 | 182,956 |
| Deferred expenses | 40,585 | 31,090 |
| Dividends receivable | 14,758 | 237,099 |
| Others | 968,120 | 842,600 |
| Less: Allowance for ECLs/impairment losses | <u>(129,050)</u> | <u>(1,196)</u> |
| Total | <u>2,913,113</u> | <u>2,911,292</u> |

(a) Analysis of the movements of allowance for ECLs/impairment losses:

| | Year ended 31 December | |
|--------------------------------|------------------------|--------------|
| | 2022 | 2021 |
| At the beginning of the year | 1,196 | 165,997 |
| Charge for the year | 148,745 | 721 |
| Transfer out | - | (165,522) |
| Reversal | (24,533) | - |
| Amounts written off and others | <u>3,642</u> | <u>-</u> |
| At the end of the year | <u>129,050</u> | <u>1,196</u> |

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40. OTHER CURRENT ASSETS *(Continued)*

(b) Analyzed by the stages of allowance for ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------|----------|----------|----------------|----------------|
| As at 31 December 2022 | <u>-</u> | <u>-</u> | <u>129,050</u> | <u>129,050</u> |
| As at 31 December 2021 | <u>-</u> | <u>-</u> | <u>1,196</u> | <u>1,196</u> |

41. MARGIN ACCOUNTS RECEIVABLE

| | As at 31 December | |
|--------------------------|--------------------------|--------------------|
| | 2022 | 2021 |
| Individuals | 65,102,652 | 79,503,522 |
| Institutions | 24,017,351 | 32,059,135 |
| Less: Allowance for ECLs | (2,004,494) | (2,275,350) |
| Total | <u>87,115,509</u> | <u>109,287,307</u> |

(a) Analysis of the movements of allowance for ECLs:

| | Year ended 31 December | |
|--------------------------------|-------------------------|------------------|
| | 2022 | 2021 |
| At the beginning of the year | 2,275,350 | 1,832,821 |
| Charge for the year | 166,600 | 502,666 |
| Reversal | (575,260) | - |
| Amounts written off and others | 137,804 | (41,686) |
| Lost control of a subsidiary | <u>-</u> | <u>(18,451)</u> |
| At the end of the year | <u>2,004,494</u> | <u>2,275,350</u> |

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

41. MARGIN ACCOUNTS RECEIVABLE (continued)

(b) Analyzed by the stages of allowance for ECLs:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------|-----------------------|-------------------|-------------------------|-------------------------|
| As at 31 December 2022 | <u>218,522</u> | <u>659</u> | <u>1,785,313</u> | <u>2,004,494</u> |
| As at 31 December 2021 | <u>193,107</u> | <u>4,149</u> | <u>2,078,094</u> | <u>2,275,350</u> |

The carrying amount of margin accounts receivable, for which the loss allowance is measured at an amount equal to 12-month and lifetime expected credit losses, are RMB87,047,859 thousand and RMB67,650 thousand respectively (2021: RMB108,694,573 thousand and RMB592,734 thousand respectively).

(c) The fair value of collateral for the margin financing and securities lending business is analyzed as follows:

| | As at 31 December | |
|---------------------------|---------------------------|--------------------|
| | 2022 | 2021 |
| Fair value of collateral: | | |
| – Stocks | 271,607,440 | 373,439,969 |
| – Cash | 13,003,534 | 18,352,879 |
| – Funds | 10,880,250 | 10,248,942 |
| – Bonds | <u>576,846</u> | <u>670,575</u> |
| Total | <u>296,068,070</u> | <u>402,712,365</u> |

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

42. DERIVATIVE FINANCIAL INSTRUMENTS

| As at 31 December 2022 | | | |
|--|-------------------|-------------------------|---------------------------|
| | Nominal amount | Fair value | |
| | | Assets | Liabilities |
| Interest rate derivatives | 1,766,870,241 | 811,133 | (323,843) |
| Equity derivatives | 484,929,704 | 6,608,072 | (7,247,346) |
| Currency derivatives | 158,827,835 | 377,987 | (1,636,354) |
| Other derivatives | 122,561,956 | 790,024 | (987,643) |
| Less: Cash (received)/paid as settlement | | <u>(354,393)</u> | <u>404,527</u> |
| Total | | <u><u>8,232,823</u></u> | <u><u>(9,790,659)</u></u> |

| As at 31 December 2021 | | | |
|--|-------------------|-------------------------|---------------------------|
| | Nominal amount | Fair value | |
| | | Assets | Liabilities |
| Interest rate derivatives | 1,992,437,532 | 136,123 | (506,361) |
| Equity derivatives | 227,163,890 | 3,547,316 | (6,889,040) |
| Currency derivatives | 139,486,067 | 252,616 | (1,741,585) |
| Other derivatives | 63,672,413 | 484,503 | (742,700) |
| Less: Cash (received)/paid as settlement | | <u>(263,159)</u> | <u>126,813</u> |
| Total | | <u><u>4,157,399</u></u> | <u><u>(9,752,873)</u></u> |

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap and currency swap contracts settled in the Shanghai Clearing House, stock index futures, treasury futures, precious metals futures, Au (T+D) and commodity futures were settled daily and the corresponding receipts and payments were included in clearing settlement funds.

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

43. CLEARING SETTLEMENT FUNDS

| | As at 31 December | |
|--|-------------------|------------------|
| | 2022 | 2021 |
| Deposits with stock exchanges | | |
| – China Securities Depository and Clearing Corporation Limited | 6,545,473 | 6,701,098 |
| – Others | 869,441 | 24,924 |
| Total | <u>7,414,914</u> | <u>6,726,022</u> |

44. CASH HELD ON BEHALF OF BROKERAGE CUSTOMERS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of customers and the corresponding liabilities as accounts payable to brokerage customers on the grounds that it is liable for any loss or misappropriation of its brokerage clients' monies. In Mainland China, the use of cash held on behalf of customers for security and the settlement of their transactions are restricted and governed by relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Customer Money) Rules" implementing the related provisions of the Securities and Futures Ordinance impose similar restrictions.

45. CASH AND BANK BALANCES

| | As at 31 December | |
|---------------|-------------------|-------------------|
| | 2022 | 2021 |
| Cash on hand | 468 | 411 |
| Bank balances | 30,747,456 | 31,655,816 |
| Total | <u>30,747,924</u> | <u>31,656,227</u> |

As at 31 December 2022, the Group's bank balances of RMB622,810 thousand were restricted (31 December 2021: RMB305,412 thousand).

As at 31 December 2022, the ECL allowance for cash and bank balances amounted to RMB7,669 thousand (31 December 2021: RMB11,116 thousand).

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

46. LOANS AND BORROWINGS

Non-current

| | As at 31 December | |
|---|-------------------|------|
| | 2022 | 2021 |
| Unsecured loans and borrowings ⁽¹⁾ | 559,151 | – |
| Total | 559,151 | – |

Current

| | As at 31 December | |
|---|-------------------|-----------|
| | 2022 | 2021 |
| Unsecured loans and borrowings ⁽²⁾ | 9,847,547 | 4,340,789 |
| Total | 9,847,547 | 4,340,789 |

(1) As at 31 December 2022, the non-current unsecured bank loans of the Group bore interest at rate 3.25% per annum.

(2) As at 31 December 2022 and 2021, the current unsecured loans and borrowings of the Group bore interest at rates ranging from 3.10% to 5.75% per annum and from 0.78% to 0.97% per annum, respectively.

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47. SHORT-TERM DEBT INSTRUMENTS

| | Nominal interest rate | As at | Increase | Decrease | As at |
|------------------------------------|--------------------------|-------------------|-------------------|-------------------|---------------------|
| | | 1 January 2022 | | | 31 December 2022 |
| Short-term financing bills payable | 1.87% - 2.80% | 10,052,164 | 13,446,480 | 16,287,852 | 7,210,792 |
| Short-term corporate bonds | 2.51% - 2.97% | 22,065,741 | 3,287,393 | 22,345,294 | 3,007,840 |
| Medium-term notes | 0.00% - 3.95% | 9,874,593 | 5,914,335 | 15,320,104 | 468,824 |
| Structured notes | 0.00% - 4.94% | 4,028,804 | 7,595,470 | 8,662,251 | 2,962,023 |
| Total | | <u>46,021,302</u> | <u>30,243,678</u> | <u>62,615,501</u> | <u>13,649,479</u> |

| | Nominal interest rate | As at | Increase | Decrease | As at |
|------------------------------------|--------------------------|-------------------|-------------------|-------------------|---------------------|
| | | 1 January 2021 | | | 31 December 2021 |
| Short-term financing bills payable | 2.10% - 3.35% | 9,041,957 | 19,121,497 | 18,111,290 | 10,052,164 |
| Short-term corporate bonds | 2.67% - 3.40% | 18,023,232 | 26,544,095 | 22,501,586 | 22,065,741 |
| Medium-term notes | 0.00% - 3.00% | 9,785,475 | 16,511,629 | 16,422,511 | 9,874,593 |
| Structured notes | 0.00% - 4.50% | 11,873,704 | 8,784,388 | 16,629,288 | 4,028,804 |
| Total | | <u>48,724,368</u> | <u>70,961,609</u> | <u>73,664,675</u> | <u>46,021,302</u> |

48. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

| | As at 31 December | |
|--|--------------------------|-------------------|
| | 2022 | 2021 |
| Placements from banks | 8,949,902 | 9,106,616 |
| Placements from China Securities Finance Corporation Limited ("CSFC") ⁽¹⁾ | 4,017,303 | 3,002,217 |
| Total | <u>12,967,205</u> | <u>12,108,833</u> |

(1) As at 31 December 2022 and 2021, placements from CSFC were repayable within one year, and bore interest rates ranging from 2.10% to 2.50% per annum and 2.80% per annum, respectively.

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

49. ACCOUNTS PAYABLE TO BROKERAGE CUSTOMERS

| | As at 31 December | |
|--|---------------------------|---------------------------|
| | 2022 | 2021 |
| Margin financing and securities lending deposits | 16,846,289 | 18,352,879 |
| Other brokerage business deposits | <u>178,872,494</u> | <u>154,130,729</u> |
| Total | <u><u>195,718,783</u></u> | <u><u>172,483,608</u></u> |

Accounts payable to brokerage customers mainly include money held on behalf of customers in banks and clearing houses, and bear interest at the prevailing market interest rates.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage customers represent monies received from customers for their margin financing and futures trading activities under the normal course of business. Only amounts in excess of the required deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not provide additional value in view of the nature of these businesses.

50. EMPLOYEE BENEFITS PAYABLE

| | As at 31 December | |
|--|-------------------------|-------------------------|
| | 2022 | 2021 |
| Salaries, bonuses and allowances | 8,833,373 | 8,176,606 |
| Social welfare and others | 204,119 | 231,284 |
| Contributions to a defined contribution scheme | <u>20,212</u> | <u>16,285</u> |
| Total | <u><u>9,057,704</u></u> | <u><u>8,424,175</u></u> |

The Group provides an additional enterprise annuity plan to employees in mainland China. According to the plan, when an employee leaves the company, some of the enterprise payment amount may be transferred back to the enterprise annuity enterprise account according to the actual working time. There is no case of using forfeited contributions to reduce the existing contribution level.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

51. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analyzed by collateral type:

| | As at 31 December | |
|-----------------|---------------------------|--------------------|
| | 2022 | 2021 |
| Current | | |
| Bonds | 150,108,765 | 140,937,997 |
| Funds | 15,159,976 | 14,915,827 |
| Precious metals | 7,967,941 | 9,030,268 |
| Total | <u>173,236,682</u> | <u>164,884,092</u> |

(b) Analyzed by market:

| | As at 31 December | |
|------------------------|---------------------------|--------------------|
| | 2022 | 2021 |
| Current | | |
| Interbank market | 89,155,945 | 84,991,495 |
| Stock exchanges | 76,112,796 | 70,862,329 |
| Shanghai gold exchange | 7,967,941 | 9,030,268 |
| Total | <u>173,236,682</u> | <u>164,884,092</u> |

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

52. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Current

| | As at 31 December | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| At fair value through profit or loss ⁽¹⁾ | | |
| – Equity securities | 543,882 | 156,886 |
| – Debt securities | 9,503,187 | 5,692,128 |
| – Gold | 640,856 | 582,421 |
| Designated as at fair value through profit or loss | | |
| – Debt securities ⁽²⁾ | 36,557,863 | 26,916,228 |
| – Interest attributable to other holders of consolidated structured entities ⁽³⁾ | 1,081,764 | 603,157 |
| Total | <u>48,327,552</u> | <u>33,950,820</u> |

Non-current

| | As at 31 December | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| Designated as at fair value through profit or loss | | |
| – Debt securities ⁽²⁾ | 26,146,871 | 13,146,702 |
| – Interest attributable to other holders of consolidated structured entities ⁽³⁾ | 574,444 | 392,010 |
| Total | <u>26,721,315</u> | <u>13,538,712</u> |

(1) As at 31 December 2022 and 2021, included in the Group's financial liabilities through profit or loss were equity securities, bonds and gold borrowed by the Group.

(2) As at 31 December 2022 and 2021, included in the Group's financial liabilities designated as at fair value through profit or loss were structured notes generally in the form of notes or certificates with the underlying investments related to listed equity investments, listed debt investments and unlisted fund investments.

(3) As at 31 December 2022 and 2021, the financial liabilities arising from the consolidation of structured entities were designated as at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

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

53. BONDS PAYABLE

Current

| | As at 31 December | |
|-----------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| Corporate bonds ⁽¹⁾ | 29,720,606 | 27,487,916 |
| Subordinated bonds ⁽¹⁾ | 4,003,977 | 120,848 |
| Structured notes | - | 3,337,489 |
| Medium-term notes | - | 1,300,289 |
| Total | <u>33,724,583</u> | <u>32,246,542</u> |

Non-current

| | As at 31 December | |
|-----------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| Corporate bonds ⁽¹⁾ | 74,505,891 | 78,146,335 |
| Subordinated bonds ⁽¹⁾ | 11,272,977 | 8,981,532 |
| Medium-term notes | 8,380,143 | 7,392,689 |
| Total | <u>94,159,011</u> | <u>94,520,556</u> |

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

53. BONDS PAYABLE (Continued)

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows:

As at 31 December 2022

| Name | Par value | Issue date | Maturity date | Coupon rate |
|---|-----------|------------|---------------|-------------|
| Current | | | | |
| Corporate bonds | | | | |
| 18 GUOJUN G4 | 300,000 | 2018.07 | 2023.07 | 4.64% |
| 20 GUOJUN G1 | 4,000,000 | 2020.01 | 2023.01 | 3.37% |
| 20 GUOJUN G2 | 4,000,000 | 2020.03 | 2023.03 | 3.05% |
| 20 GUOJUN G4 | 5,000,000 | 2020.07 | 2023.07 | 3.55% |
| 20 GUOJUN G5 | 4,000,000 | 2020.09 | 2023.09 | 3.75% |
| 20 GUOJUN G7 | 2,000,000 | 2020.11 | 2023.11 | 3.90% |
| 20 GUOJUN G9 | 2,900,000 | 2020.12 | 2023.12 | 3.77% |
| GUOJUN Convertible bonds ⁽ⁱ⁾ | 7,000,000 | 2017.07 | 2023.07 | 2.00% |
| Subordinated bond | | | | |
| 21 GUOJUN C2 | 4,000,000 | 2021.12 | 2023.12 | 3.09% |
| Non-current | | | | |
| Corporate bonds | | | | |
| 21 GUOJUN G1 | 4,000,000 | 2021.04 | 2024.04 | 3.46% |
| 21 GUOJUN G2 | 2,000,000 | 2021.04 | 2026.04 | 3.75% |
| 21 GUOJUN G3 | 3,000,000 | 2021.05 | 2024.05 | 3.31% |
| 21 GUOJUN G4 | 5,000,000 | 2021.05 | 2026.05 | 3.67% |
| 21 GUOJUN G5 | 2,900,000 | 2021.06 | 2024.06 | 3.40% |
| 21 GUOJUN G7 | 1,900,000 | 2021.07 | 2024.07 | 3.13% |
| 21 GUOJUN G8 | 6,100,000 | 2021.07 | 2026.07 | 3.48% |
| 21 GUOJUN G9 | 2,800,000 | 2021.08 | 2024.08 | 3.01% |
| 21 GUOJUN 10 | 4,200,000 | 2021.08 | 2026.08 | 3.35% |
| 21 GUOJUN 11 | 3,000,000 | 2021.08 | 2031.08 | 3.77% |
| 21 GUOJUN 12 | 4,400,000 | 2021.09 | 2024.10 | 3.09% |
| 21 GUOJUN 13 | 3,400,000 | 2021.09 | 2031.09 | 3.80% |
| 21 GUOJUN 14 | 3,300,000 | 2021.10 | 2024.11 | 3.29% |
| 21 GUOJUN 15 | 3,400,000 | 2021.10 | 2031.10 | 3.99% |
| 22 GUOJUN G1 | 2,000,000 | 2022.03 | 2025.03 | 3.04% |
| 22 GUOJUN G2 | 1,400,000 | 2022.03 | 2032.03 | 3.74% |
| 22 GUOJUN G3 | 2,800,000 | 2022.04 | 2025.04 | 2.96% |
| 22 GUOJUN G4 | 2,500,000 | 2022.04 | 2032.04 | 3.70% |
| 22 GUOJUN G5 | 3,100,000 | 2022.05 | 2025.05 | 2.78% |
| 22 GUOJUN G6 | 2,400,000 | 2022.05 | 2032.05 | 3.58% |
| 22 GUOJUN G7 | 2,500,000 | 2022.07 | 2025.07 | 2.92% |
| 22 GUOJUN G8 | 2,500,000 | 2022.07 | 2027.07 | 3.27% |
| 22 GUOJUN G9 | 2,000,000 | 2022.09 | 2025.09 | 2.52% |
| 22 GUOJUN 10 | 3,000,000 | 2022.09 | 2027.09 | 2.90% |
| Subordinated bond | | | | |
| 21 GUOJUN C1 | 3,000,000 | 2021.01 | 2024.01 | 3.89% |
| 21 GUOJUN C3 | 2,000,000 | 2021.12 | 2024.12 | 3.20% |
| 22 GUOJUN C1 | 2,500,000 | 2022.01 | 2024.01 | 3.00% |
| 22 GUOJUN C2 | 3,500,000 | 2022.01 | 2025.01 | 3.17% |

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

53. BONDS PAYABLE (continued)

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: (continued)

As at 31 December 2021

| Name | Par value | Issue date | Maturity date | Coupon rate |
|---|-----------|------------|---------------|-------------|
| Current | | | | |
| Corporate bonds | | | | |
| 17 GUOJUN G2 | 600,000 | 2017.08 | 2022.08 | 4.70% |
| 19 GUOJUN G1 | 3,000,000 | 2019.04 | 2022.04 | 3.90% |
| 19 GUOJUN G3 | 2,900,000 | 2019.05 | 2022.05 | 3.73% |
| 19 GUOJUN G4 | 2,500,000 | 2019.10 | 2022.10 | 3.48% |
| 20 GUOJUN G6 | 3,900,000 | 2020.11 | 2022.11 | 3.80% |
| GTJA HOLD B2203 ⁽ⁱⁱ⁾ | 3,437,271 | 2019.03 | 2022.03 | 3.875% |
| GTJA SEC B2203 ⁽ⁱⁱⁱ⁾ | 1,993,335 | 2019.03 | 2022.03 | 0.562% |
| 19 GTJA Financial Bond 01 | 8,000,000 | 2019.08 | 2022.08 | 3.48% |
| Non-current | | | | |
| Corporate bonds | | | | |
| 18 GUOJUN G4 | 300,000 | 2018.07 | 2023.07 | 4.64% |
| 20 GUOJUN G1 | 4,000,000 | 2020.01 | 2023.01 | 3.37% |
| 20 GUOJUN G2 | 4,000,000 | 2020.03 | 2023.03 | 3.05% |
| 20 GUOJUN G4 | 5,000,000 | 2020.07 | 2023.07 | 3.55% |
| 20 GUOJUN G5 | 4,000,000 | 2020.09 | 2023.09 | 3.75% |
| 20 GUOJUN G7 | 2,000,000 | 2020.11 | 2023.11 | 3.90% |
| 20 GUOJUN G9 | 2,900,000 | 2020.12 | 2023.12 | 3.77% |
| 21 GUOJUN G1 | 4,000,000 | 2021.04 | 2024.04 | 3.46% |
| 21 GUOJUN G2 | 2,000,000 | 2021.04 | 2026.04 | 3.75% |
| 21 GUOJUN G3 | 3,000,000 | 2021.05 | 2024.05 | 3.31% |
| 21 GUOJUN G4 | 5,000,000 | 2021.05 | 2026.05 | 3.67% |
| 21 GUOJUN G5 | 2,900,000 | 2021.06 | 2024.06 | 3.40% |
| 21 GUOJUN G7 | 1,900,000 | 2021.07 | 2024.07 | 3.13% |
| 21 GUOJUN G8 | 6,100,000 | 2021.07 | 2026.07 | 3.48% |
| 21 GUOJUN G9 | 2,800,000 | 2021.08 | 2024.08 | 3.01% |
| 21 GUOJUN 10 | 4,200,000 | 2021.08 | 2026.08 | 3.35% |
| 21 GUOJUN 11 | 3,000,000 | 2021.08 | 2031.08 | 3.77% |
| 21 GUOJUN 12 | 4,400,000 | 2021.09 | 2024.10 | 3.09% |
| 21 GUOJUN 13 | 3,400,000 | 2021.09 | 2031.09 | 3.80% |
| 21 GUOJUN 14 | 3,300,000 | 2021.10 | 2024.11 | 3.29% |
| 21 GUOJUN 15 | 3,400,000 | 2021.10 | 2031.10 | 3.99% |
| GUOJUN Convertible bonds ⁽ⁱ⁾ | 7,000,000 | 2017.07 | 2023.07 | 1.80% |
| Subordinated bond | | | | |
| 21 GUOJUN C1 | 3,000,000 | 2021.01 | 2024.01 | 3.89% |
| 21 GUOJUN C2 | 4,000,000 | 2021.12 | 2023.12 | 3.09% |
| 21 GUOJUN C3 | 2,000,000 | 2021.12 | 2024.12 | 3.20% |

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

53. BONDS PAYABLE *(continued)*

(1) The details of the outstanding corporate bonds and subordinated bonds payable are as follows: *(continued)*

- (i) In July 2017, as approved by the CSRC, the Company issued 6-year A-share convertible bonds with par value of RMB7 billion. The convertible bond bears a fixed annual interest rate of 0.20% for the first year, 0.50% for the second year, 1.00% for the third year, 1.50% for the fourth year, 1.80% for the fifth year and 2.00% for the sixth year. The initial conversion price is RMB20.20 per share. The convertible bonds holders may exercise their rights to convert the convertible bonds into the Company's A shares at the stipulated conversion price during the period ("Conversion Period") beginning six months after the date of issuance until the maturity date. Within 5 trading days after maturity, the Company shall redeem the outstanding convertible bonds at 105% of the par value, inclusive of interest for the sixth year.

During the Conversion Period, if the closing price of the Company's A Shares is not less than or equal to 130% of the prevailing conversion price for at least 15 trading days out of any 30 consecutive trading days, or if the total outstanding amount is less than RMB30 million, the Company has the right to redeem all or part of the outstanding convertible bonds at par value plus accrued interest.

The convertible corporate bonds issued have been split into the liability and equity components. After considering direct transaction costs, the Company recognized the equity part of the convertible corporate bonds as other equity instruments amounting to RMB1,129,841 thousand.

As at 31 December 2022, convertible corporate bonds with a principal amount of RMB9,839 thousand were converted into 516,836 ordinary A shares.

- (ii) In March 2019, Guotai Junan Holdings Limited (BVI) issued 3-year corporate bonds with a par value of USD500 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5853 and bear a fixed annual interest rate of 3.875% payable on a semi-annual basis.
- (iii) In March 2019, the Company issued 3-year corporate bonds with a par value of EUR255 million. The bonds are listed on the Hong Kong Stock Exchange with the bond code of 5883 and bear a floating annual interest rate with an initial coupon rate of 0.832% payable on a quarterly basis.

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54. CONTRACT LIABILITIES

Current

| | As at 31 December 2022 | As at 31 December 2021 |
|---|------------------------------|------------------------------|
| Advance consideration received from customers | <u>96,601</u> | <u>-</u> |

Contract liabilities represent the advance payment of the sponsorship business, the asset management business and the commodity trading. The Group received these advance payments when the contracts are signed, and will recognize the expected revenue in future when or as the work is completed or, in the case of commodity trading, when the customer takes possession of and accepts the commodity.

55. OTHER CURRENT LIABILITIES

| | As at 31 December | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| Accounts payable arising from derivative transactions | 53,680,483 | 28,297,282 |
| Accounts payable to brokers | 3,960,123 | 2,784,978 |
| Settlement payables to clearing house and customers | 1,702,333 | 5,898,881 |
| Accounts payable arising from warehouse receipt pledge | 1,300,173 | 2,068,864 |
| Bank's acceptance bill payable | 523,000 | 838,000 |
| Accounts payable arising from equity incentives | 393,371 | 626,232 |
| Other tax payable | 392,525 | 545,860 |
| Advance received from issuance of financial products | 374,101 | 240,485 |
| Commission payable to other distributors | 332,778 | 122,090 |
| Dividends payable | 229,774 | 224,570 |
| Dividend received on behalf of customers | 221,338 | 123,207 |
| Underwriting fee payable in relation to IPO | 90,173 | 118,169 |
| Payables for the securities investor protection fund | 52,269 | 73,165 |
| Interest payable | 52,192 | 75,382 |
| Proceeds from underwriting securities received on behalf of customers | 34,992 | 471,147 |
| Gold borrowing expenses payable | 19,899 | 29,528 |
| Others | <u>1,426,595</u> | <u>1,377,905</u> |
| Total | <u>64,786,119</u> | <u>43,915,745</u> |

The Group has no significant long-aging accounts payable.

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

56. OTHER NON-CURRENT LIABILITIES

| | As at 31 December | |
|---|-----------------------|-----------------------|
| | 2022 | 2021 |
| Risk reserve for the futures brokerage business | 170,006 | 155,306 |
| Provisions | <u>337,388</u> | <u>225,676</u> |
| Total | <u><u>507,394</u></u> | <u><u>380,982</u></u> |

57. SHARE CAPITAL

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1 yuan. The number of shares issued by the Company and their nominal value are as follows:

| | As at 31 December | |
|--|-------------------------|-------------------------|
| | 2022 | 2021 |
| At the beginning of the year | 8,908,450 | 8,908,448 |
| The conversion of convertible bonds into ordinary shares | 1 | 2 |
| Deregistration of treasury shares | <u>(1,778)</u> | <u>-</u> |
| At the end of the year | <u><u>8,906,673</u></u> | <u><u>8,908,450</u></u> |

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58. OTHER EQUITY INSTRUMENTS

| | As at 31 December | |
|--|--------------------------|--------------------------|
| | 2022 | 2021 |
| Perpetual subordinated bonds ⁽¹⁾ | 14,918,679 | 9,943,396 |
| Equity component of convertible bonds ⁽²⁾ | <u>1,128,257</u> | <u>1,128,260</u> |
| Total | <u>16,046,936</u> | <u>11,071,656</u> |

- (1) As approved by the CSRC, the Company issued three batches of perpetual subordinated bonds ("19 Guojun Y1", "20 Guojun Y1" and "22 Guojun Y1") amounting to RMB5 billion, RMB5 billion and RMB5 billion with an initial interest rate of 4.20%, 3.85% and 3.59% in September 2019, March 2020 and July 2022, respectively. The perpetual subordinated bonds have no fixed maturity dates and the Company has an option to redeem "19 Guojun Y1" and "20 Guojun Y1" at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards. The Company has an option to extend one cycle at the end of each repricing cycle, or redeem "22 Guojun Y1" in full.

The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 working days before the adjustment.

The issuer has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the Group's statement of financial position.

During the year ended 31 December 2022 and 2021, the Company recognized dividends payable to holders of the perpetual subordinated bonds amounting to RMB403 million and RMB403 million (Note 21), respectively.

- (2) Refer to Note 53 for the issuance of convertible bonds.

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

59. RESERVES AND RETAINED PROFITS

(1) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of the acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

(2) Investment revaluation reserve

Investment revaluation reserve mainly represents the fair value changes of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income.

(3) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and the income and expenses are translated at the average exchange rates or at the approximate exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve.

(4) Surplus reserve

The surplus reserve includes the statutory surplus reserve and discretionary surplus reserve.

Pursuant to the "Company Law of the People's Republic of China", the articles of association of the Company and the decision of the Board, the Company is required to set aside 10% of its net profit (after offsetting the accumulated losses incurred in previous years) to the statutory surplus reserve until the balance reaches 50% of the respective registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before capitalization.

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

59. RESERVES AND RETAINED PROFITS (continued)

(5) General reserve

The general reserve includes the general risk reserve and the transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% of its annual net profit to the transaction risk reserve.

In accordance with the requirements of Provisional Measures on Supervision and Administration of Risk Provision of Public Offering of Securities Investment Funds (Order of the CSRC No. 94) issued on 24 September 2013, the Group appropriates 10% of fund management fee to the general risk reserve.

(6) Retained profits

The movements in retained profits are set out below:

| | Year ended 31 December | |
|---|------------------------|-------------------|
| | 2022 | 2021 |
| At the beginning of the year | 54,132,214 | 46,504,462 |
| Profit for the year | 11,507,150 | 15,013,480 |
| Appropriation to general reserve | (2,058,911) | (2,617,572) |
| Dividends | (6,056,537) | (4,983,132) |
| Distribution to other equity instrument holders | (402,500) | (402,500) |
| Lost control of a subsidiary | - | 432,122 |
| Others | (453,786) | 185,354 |
| At the end of the year | <u>56,667,630</u> | <u>54,132,214</u> |

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

60. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

| | As at 31 December | |
|---|--------------------------|--------------------------|
| | 2022 | 2021 |
| Cash on hand | 468 | 411 |
| Bank balances | 30,747,456 | 31,655,816 |
| Clearing settlement funds | 7,414,914 | 6,726,022 |
| Financial assets held under resale agreements with original maturity of less than three months | 43,656,117 | 32,227,933 |
| Financial assets at fair value through profit or loss with original maturity of less than three months | 1,025,357 | - |
| Less: bank deposits with original maturity of more than three months, risk reserve deposits, restricted bank balances and clearing settlement funds | <u>(2,303,963)</u> | <u>(1,965,698)</u> |
| Total | <u>80,540,349</u> | <u>68,644,484</u> |

(b) Changes in liabilities arising from financing activities

| | Short-term | | | |
|-----------------------------------|--------------------------|--------------------------|---------------------------|-------------------------|
| | Loans and borrowings | debt instruments | Bonds payable | Lease liabilities |
| At 1 January 2021 | 9,769,331 | 48,724,368 | 91,692,414 | 1,953,629 |
| Changes from financing cash flows | (5,428,543) | (723,182) | 37,238,304 | (522,392) |
| Interest expenses | 123,813 | 1,228,529 | 3,774,985 | 78,149 |
| Interest paid | (123,812) | (1,107,850) | (3,083,540) | (78,149) |
| New leases | - | - | - | 807,691 |
| Lost control of a subsidiary | - | (2,100,563) | (2,649,713) | (153,016) |
| Other non-cash changes | - | - | (205,352) | (145,804) |
| | <u>4,340,789</u> | <u>46,021,302</u> | <u>126,767,098</u> | <u>1,940,108</u> |
| At 31 December 2021 | 4,340,789 | 46,021,302 | 126,767,098 | 1,940,108 |
| Changes from financing cash flows | 6,065,908 | (32,076,032) | (446,505) | (564,860) |
| Interest expenses | 166,783 | 718,959 | 4,679,796 | 69,217 |
| Interest paid | (166,782) | (1,014,750) | (4,373,812) | (69,217) |
| New leases | - | - | - | 460,221 |
| Business combination | - | - | - | 44,997 |
| Other non-cash changes | - | - | 1,257,017 | 4,709 |
| | <u>10,406,698</u> | <u>13,649,479</u> | <u>127,883,594</u> | <u>1,885,175</u> |
| At 31 December 2022 | <u>10,406,698</u> | <u>13,649,479</u> | <u>127,883,594</u> | <u>1,885,175</u> |

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

60. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

| | Year ended 31 December | |
|-----------------------------|------------------------|---------|
| | 2022 | 2021 |
| Within operating activities | 31,611 | 36,478 |
| Within financing activities | 634,077 | 600,541 |

(d) Net cash outflow arising from the acquisition of a subsidiary

| | As at 4 November 2022 |
|--|-----------------------------|
| Total consideration paid in cash | 1,062,700 |
| Less: cash and cash equivalents of subsidiary acquired | <u>(99,094)</u> |
| Total | <u><u>963,606</u></u> |

61. TRANSFERRED FINANCIAL ASSETS

In the normal course of business, the Group enters into certain transactions in which it transfers recognized financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognizes all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize these assets.

(1) Repurchase agreements

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase agreements. The Group transfers the contractual rights to receive the cash flows of these securities, but has an obligation to repurchase them at the agreed date and price. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

Transferred financial assets that do not qualify for derecognition also include margin accounts receivable-backed repurchase whose beneficial rights are transferred to counterparties and repurchased by the Group at the maturity date. The Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore has not derecognized them. In addition, they are recognized as financial assets sold under repurchase agreements.

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

61. TRANSFERRED FINANCIAL ASSETS *(continued)*

(2) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to customers for the securities lending business, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities lent.

(3) Margin financing borrowing

Transferred financial assets that do not qualify for derecognition include securities transferred to CSFC. When CSFC exercises the rights attached to the securities, it shall follow the instructions of the Group. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized the securities transferred.

The following tables provide a summary of the carrying amounts related to transferred financial assets that are not derecognized in their entirety and the associated liabilities:

| | Repurchase agreements | Securities lending | Margin financing borrowing |
|--|----------------------------------|-------------------------------|---------------------------------------|
| 31 December 2022 | | | |
| Carrying amount of transferred assets | <u>5,841,913</u> | <u>3,550,974</u> | <u>2,595,945</u> |
| Carrying amount of related liabilities | <u>5,474,333</u> | <u>N/A</u> | <u>N/A</u> |
| | Repurchase agreements | Securities lending | Margin financing borrowing |
| 31 December 2021 | | | |
| Carrying amount of transferred assets | <u>2,271,856</u> | <u>3,943,409</u> | <u>1,937,621</u> |
| Carrying amount of related liabilities | <u>4,749,974</u> | <u>N/A</u> | <u>N/A</u> |

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

62. CONTINGENCIES

As at 31 December 2022, the contingent liabilities due to pending litigations amounted to RMB337,227 thousand.

63. EQUITY-SETTLED SHARE-BASED PAYMENTS

(a) Share-based payments of the Company

The Company carried out a restricted share incentive scheme of A shares whereby the Company grant restricted A shares to the incentive participants in return for their services. Details of the scheme as at 31 December 2022 are set out below:

| | Year ended 31 December | |
|------------------------------------|------------------------|-----------|
| | 2022 | 2021 |
| Granted during the year | - | 9,999,990 |
| Exercised/Unlocked during the year | 24,900,183 | - |
| Forfeited during the year | 2,156,747 | 1,778,000 |

As at 21 December 2022, the unlocking conditions for the first locking period of the first grant under the Company's 2020 restricted share incentive scheme of A shares had been fulfilled, and the total number of restricted shares that can be unlocked was 24,900,183 shares. The restriction on sale of these shares has been removed on 21 December 2022.

As at 31 December 2022, the cumulative amount of equity-settled share-based payments recognized in the Company's capital reserve was RMB663,643 thousand. The total amount of expenses recognized for equity-settled share-based payments in the current year was RMB275,858 thousand.

The fair value of services received in return for restricted share incentive scheme is measured by reference to the fair value of shares. The estimate of the fair value of restricted shares granted is measured based on the closing price of shares at grant date.

(b) Share-based payments of a subsidiary

GJIHL, a subsidiary of the Company, operated a share option scheme for the purpose of motivating and rewarding staff who contributed to GJIHL's operations. During the year ended 31 December 2022, the total amount of expenses recognized for equity-settled share-based payments was of RMB358 thousand was recognized in profit or loss (Year ended 31 December 2021: RMB6,456 thousand).

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

64. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(1) Major shareholders

Share percentage in the Company:

| | As at 31 December | |
|---|-------------------|--------|
| | 2022 | 2021 |
| Shanghai State-owned Assets Operation Co., Ltd. ("Shanghai SA") | 23.05% | 23.05% |
| Shanghai International Group Co., Ltd. ("SIG") | 9.05% | 9.05% |

(2) Subsidiaries of the Company

The detailed information of the Company's subsidiaries is set out in Note 28.

(3) Associates and joint ventures of the Group

The detailed information of the Group's associates and joint ventures is set out in Note 30.

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

64. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(a) Relationship of related parties *(continued)*

(4) Other related parties of the Group

| Name of the related parties | Relationship of the related parties |
|--|--|
| Shanghai Rural Commercial Bank | The senior management of SIG acts as a director of the entity |
| Shanghai Pudong Development Bank Co., Ltd. | The director of the Company acts as a director of the entity |
| Great Wall Securities Co., Ltd. | The supervisor of the Company acts as the vice chairman of the entity |
| Shanghai International Group Asset Management Co., Ltd. | SIG controls the entity |
| Shanghai Pudong Development Bank Financial Leasing Co., Ltd. | The senior management of Shanghai SA acts as a director of the entity |
| Guoxin Investment Development Co., Ltd. | Shanghai SA controls the entity |
| Shanghai Sitico Assets Management Co., Ltd. | SIG controls the entity |
| Shanghai Chengtou Group Co., Ltd. | The director of the Company acts as the senior management of the entity |
| China Three Gorges Co., Ltd. | The director of the Company acts as the external director of the entity |
| New China Capital Management Co., Ltd. | The director of the Company acts as the director and CEO of the entity |
| Shanghai Guosheng Capital Management Co., Ltd. | The director of the Company acts as a director of the entity |
| China Foreign Economy and Trade Trust Co., Ltd. | The trustee of a trust in favor of Shanghai SA |
| China Jinmao Holdings Group Limited | The director of the Company acts as a director of the entity |
| Guotai Junan Financial Holding Investment (Shanghai) Co., Ltd. | Subsidiary of a company in which Shanghai SA holds more than 30% of the shares |
| Guotai Junan Shenyi (Shenzhen) Fund Management Co., Ltd. | Subsidiary of a company in which Shanghai SA holds more than 30% of the shares |
| China Securities Credit Investment Co., Ltd. | The senior management of the Company acts as a director of the entity |
| Shanghai Guoxin Venture Investment Co., Ltd. | Shanghai SA controls the entity |
| Shanghai Zhenghai Guoxin Investment Center (L.P.) | Shanghai SA controls the entity |
| Anhui Huamao Industry Investment Co., Ltd. | The supervisor of the Company acted as a director of the entity |
| Shanghai Dasheng Asset Operation Co., Ltd. | Shanghai SA controls the entity |
| Beijing Futaihua Investment Management Co., Ltd. | Subsidiary of a company in which Shanghai SA holds more than 30% of the shares |
| Shenzhen Investment Holdings Co., Ltd. | Entity that holds more than 5% equity interest of the Company |
| Shanghai AJ Trust Investment Co., Ltd. | The trustee of a trust in favor of Shanghai SA |
| Guotai Junan Investment Management Co., Ltd. | Shanghai SA holds more than 30% of the shares of the entity |

Other related parties can be individuals or enterprises, which include members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

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

64. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties

- (1) Fee and commission income from related parties

| Related parties | Year ended 31 December | |
|--|-------------------------------|-------------|
| | 2022 | 2021 |
| Associates and joint ventures of the Group | 205,490 | 164,625 |
| Other major related parties | 21,138 | 69,274 |
| Major shareholders and their subsidiaries | 5,772 | 5,197 |

- (2) Fee and commission expense to related parties

| Related parties | Year ended 31 December | |
|-----------------------------|-------------------------------|-------------|
| | 2022 | 2021 |
| Other major related parties | 1 | 4,082 |

- (3) Interest received from related parties

| Related parties | Year ended 31 December | |
|--|-------------------------------|-------------|
| | 2022 | 2021 |
| Other major related parties | 113,404 | 225,400 |
| Associates and joint ventures of the Group | 31 | 83 |

- (4) Interest paid to related parties

| Related parties | Year ended 31 December | |
|--|-------------------------------|-------------|
| | 2022 | 2021 |
| Other major related parties | 58,417 | 47,065 |
| Associates and joint ventures of the Group | 17,410 | 1,094 |
| Major shareholders and their subsidiaries | 135 | 269 |

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

64. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

- (5) Operating expenses and costs paid to related party

| Related party | Year ended 31 December | |
|--|------------------------|--------|
| | 2022 | 2021 |
| Other major related parties | 3,023 | 10,548 |
| Associates and joint ventures of the Group | 10 | – |

- (6) Lease fees paid as lessee

| Related party | Year ended 31 December | |
|--|------------------------|------|
| | 2022 | 2021 |
| Associates and joint ventures of the Group | 5,021 | – |

- (7) Related party transactions with SIG and/or its associates and HuaAn Funds and/or its subsidiaries constitute continuing connected transactions as defined by the Hong Kong Listing Rules. In 2022, the annual caps and the actual amounts of securities and financial products transactions and financial services related continuing connected transactions with SIG and/or its associates and HuaAn Funds and/or its subsidiaries are as follows:

| SIG | Year ended 31 December | | | |
|--|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| | 2022 Caps (RMB in million) | Actual amount (RMB in million) | 2021 Caps (RMB in million) | Actual amount (RMB in million) |
| Securities and financial products | | | | |
| Inflow | 6,787.10 | 621.10 | 6,170.00 | 1,043.80 |
| Outflow | 6,752.80 | 1,388.20 | 6,138.90 | 643.44 |
| Financial services | | | | |
| Revenue generated | 151.90 | 5.86 | 144.67 | 6.46 |
| Fees paid | 65.10 | 0.19 | 62.00 | 0.28 |

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

64. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(b) Transactions between the Group and other related parties *(continued)*

| HuaAn Funds | Period from 4 November 2022 to 31 December 2022 | |
|--|--|-----------------------------------|
| | Caps (RMB in million) | Actual amount (RMB in million) |
| Securities and financial products | | |
| Inflow | 1,461.00 | 801.10 |
| Outflow | 3,265.00 | 123.40 |
| Financial services | | |
| Revenue generated | 114.10 | 40.45 |
| Fees paid | 9.15 | 2.02 |

(8) Related party transaction with SIG or its associates

In November 2022, the Company has completed the acquisition of 8% equity interests in HuaAn Funds from Shanghai Industrial Investment (Holdings) Co., Ltd. with a transfer consideration of RMB1.012 billion, and recognized profit or loss during the transition period of RMB51 million. As associates of SIG, GTJA Investment and Shanghai SITICO holds 20% and 5% equity interests in HuaAn Funds, respectively, therefore, the acquisition constitutes a connected transaction of the Company pursuant to 14A.28 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(9) Equity acquired from related parties

In March 2022, the Company has completed the acquisition of 15% equity interests in HuaAn Funds from Shanghai Sitico Assets management Co., Ltd. with a consideration of RMB1.812 billion.

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

64. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties

(1) Deposits with related parties

| | As at 31 December | |
|-----------------------------|-------------------|-----------|
| | 2022 | 2021 |
| Related parties | | |
| Other major related parties | 8,360,033 | 6,238,215 |

(2) Accounts receivable

| | As at 31 December | |
|--|-------------------|---------|
| | 2022 | 2021 |
| Related parties | | |
| Major shareholders and their subsidiaries | - | 130 |
| Other major related parties | 8,644 | 4,854 |
| Associates and joint ventures of the Group | 165 | 110,147 |

(3) Financial assets held under resale agreements

| | As at 31 December | |
|-----------------------------|-------------------|------|
| | 2022 | 2021 |
| Related parties | | |
| Other major related parties | 120,030 | - |

(4) Accounts payable

| | As at 31 December | |
|--|-------------------|--------|
| | 2022 | 2021 |
| Related parties | | |
| Other major related parties | 16,723 | 14,898 |
| Associates and joint ventures of the Group | - | 30 |

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

64. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

- (5) Financial assets sold under repurchase agreements

| Related party | As at 31 December | |
|-----------------------------|--------------------------|-------------|
| | 2022 | 2021 |
| Other major related parties | - | 300,483 |

- (6) the bonds issued by the Company held by related parties

| Related parties | As at 31 December | |
|-----------------------------|--------------------------|-------------|
| | 2022 | 2021 |
| Other major related parties | 2,110,226 | 2,638,500 |

- (7) Bonds held by the Group

| Related parties | As at 31 December | |
|--|--------------------------|-------------|
| | 2022 | 2021 |
| Major shareholders and their subsidiaries | 155,552 | - |
| Other major related parties | 4,584,964 | 2,340,136 |
| Associates and joint ventures of the Group | 221,681 | - |

- (8) Loans and borrowings with related parties

| Related parties | As at 31 December | |
|-----------------------------|--------------------------|-------------|
| | 2022 | 2021 |
| Other major related parties | 703,320 | - |

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

64. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

(c) Balances of related party transactions between the Group and its related parties *(continued)*

(9) Guarantees for related parties

| Name of related parties | As at | Starting date | Expiry date |
|-------------------------------|-------------------------------|---------------|-------------|
| | 31 December 2022 (RMB'000) | | |
| Guotai Junan Holdings Limited | 3,767,849 | 2021.04 | 2026.04 |
| Guotai Junan Holdings Limited | 2,179,920 | 2021.11 | 2024.11 |

(d) Remuneration of senior management personnel

Remuneration of senior management personnel of the Group is as follows:

| | Year ended 31 December | |
|---|------------------------|---------------|
| | 2022 | 2021 |
| Salaries, allowances and benefits | 8,546 | 6,985 |
| Pension scheme contributions and other social welfare | 2,253 | 1,532 |
| Discretionary bonuses | 17,529 | 11,107 |
| Restricted share incentive scheme (non-cash) | <u>14,273</u> | <u>15,038</u> |

Further details of directors' and supervisors' emoluments are included in Note 19.

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

65. SEGMENT REPORTING

The Group is organized into business units based on their products and services and has six reportable operating segments as follows:

- 1) The wealth management segment, which mainly provides securities and futures brokerage, financial products, investment advisory, stock pledging, margin financing and securities lending, agreed securities repurchase and other services to clients.
- 2) The investment banking segment, which primarily includes sponsorship, equity underwriting, debt underwriting, structured debt financing, M&A financial advisory services and diversified corporate solutions to corporate and government clients.
- 3) The institutional and trading segment, mainly consists of research, institutional brokerage, trading and investment and equity investment. Among which, institutional brokerage mainly provides prime brokers, seat leasing, custody and outsourcing, QFII and other services to institutional clients; Our trading and investment business mainly includes investment transactions in stocks, fixed income, foreign exchange, large commodities and their derivative financial instruments, as well as providing integrated financial solutions for clients' investment, financing and risk management.
- 4) The investment management segment, which primarily includes asset management and fund management services to institutions and individuals.
- 5) The international segment conducts brokerage, corporate finance, asset management, loans and financing services, as well as financial products, market making and investment businesses mainly through GJIHL in Hong Kong, and has expanded its business presence into the United States, Europe, Southeast Asia and other regions.
- 6) The other segment includes government grants and other general operating expenses.

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

65. SEGMENT REPORTING (continued)

(a) Operating segments

| | Year ended 31 December 2022 | | | | | | |
|---|-----------------------------|-----------------------|------------------------------|--------------------------|---------------------------|-------------|-------------------|
| | Wealth management | Investment banking | Institutional and trading | Investment management | International business | Other | Total |
| Segment total revenue and other income | | | | | | | |
| Fee and commission income | 8,464,497 | 4,215,706 | 2,731,146 | 1,644,386 | 676,064 | – | 17,731,799 |
| Interest income | 9,908,283 | – | 4,866,426 | 33,366 | 778,515 | 84 | 15,586,674 |
| Net investment gains | – | – | 4,449,435 | (44,846) | 1,133,938 | – | 5,538,527 |
| Other income and gains | – | – | 8,009,375 | 85,697 | (151,883) | 808,364 | 8,751,553 |
| Gain on business combination | – | – | 1,478,368 | – | – | – | 1,478,368 |
| Total revenue and other income | 18,372,780 | 4,215,706 | 21,534,750 | 1,718,603 | 2,436,634 | 808,448 | 49,086,921 |
| Segment expenses | (12,838,983) | (2,560,294) | (15,047,730) | (1,110,771) | (2,277,407) | (1,864,345) | (35,699,530) |
| Including: Interest expenses | (4,361,329) | – | (5,581,613) | (8,540) | (814,623) | (55,994) | (10,822,099) |
| Credit loss expense | 229,005 | – | 378,405 | – | (142,835) | – | 464,575 |
| Provision for impairment losses | – | – | (20,394) | (3,867) | – | – | (24,261) |
| Segment operating profit | 5,533,797 | 1,655,412 | 6,487,020 | 607,832 | 159,227 | (1,055,897) | 13,387,391 |
| Share of profits of associates and joint ventures | – | – | 74,603 | 677,977 | – | – | 752,580 |
| Segment profit before income tax | 5,533,797 | 1,655,412 | 6,561,623 | 1,285,809 | 159,227 | (1,055,897) | 14,139,971 |
| Income tax expense | – | – | – | – | – | – | (2,518,802) |
| Segment profit for the year | – | – | – | – | – | – | <u>11,621,169</u> |
| As at 31 December 2022 | | | | | | | |
| Segment total assets | 267,238,543 | 5,613,434 | 447,447,127 | 26,586,124 | 109,844,123 | 3,959,196 | 860,688,547 |
| Segment total liabilities | 229,079,042 | 2,934,162 | 369,345,815 | 4,125,835 | 89,868,872 | 1,508,732 | 696,862,458 |
| Year ended 31 December 2022 | | | | | | | |
| Other segment information: | | | | | | | |
| Depreciation and amortization expenses | 439,038 | 9,222 | 735,096 | 43,678 | 71,659 | 6,505 | 1,305,198 |
| Capital expenditure | 600,201 | 12,607 | 1,004,938 | 59,711 | 97,964 | 8,892 | 1,784,313 |

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

65. SEGMENT REPORTING *(continued)*

(a) Operating segments *(continued)*

| | Year ended 31 December 2021 | | | | | | Total |
|---|-----------------------------|-----------------------|------------------------------|--------------------------|---------------------------|-------------|-------------------|
| | Wealth management | Investment banking | Institutional and trading | Investment management | International business | Other | |
| Segment total revenue and other income | | | | | | | |
| Fee and commission income | 10,699,438 | 3,736,176 | 2,485,961 | 1,705,180 | 1,253,887 | – | 19,880,642 |
| Interest income | 11,711,196 | – | 3,276,772 | 47,709 | 717,136 | 150 | 15,752,963 |
| Net investment gains | – | – | 8,583,630 | 12,925 | 1,703,649 | – | 10,300,204 |
| Other income and gains | – | – | 8,632,532 | 67,245 | (12,983) | 651,815 | 9,338,609 |
| Gain on losing control of a subsidiary | – | – | 1,138,769 | – | – | – | 1,138,769 |
| Total revenue and other income | 22,410,634 | 3,736,176 | 24,117,664 | 1,833,059 | 3,661,689 | 651,965 | 56,411,187 |
| Segment expenses | (15,521,353) | (2,374,418) | (14,646,970) | (992,283) | (2,351,763) | (1,950,842) | (37,837,629) |
| Including: Interest expenses | (5,380,467) | – | (4,039,501) | (8,849) | (676,826) | (56,767) | (10,162,410) |
| Credit loss expense | 49,842 | – | (207,708) | – | (183,157) | – | (341,023) |
| Provision for impairment losses | – | – | (721) | – | – | – | (721) |
| Segment operating profit | 6,889,281 | 1,361,758 | 9,470,694 | 840,776 | 1,309,926 | (1,298,877) | 18,573,558 |
| Share of profits of associates and joint ventures | – | – | 179,987 | 358,736 | – | – | 538,723 |
| Segment profit before income tax | 6,889,281 | 1,361,758 | 9,650,681 | 1,199,512 | 1,309,926 | (1,298,877) | 19,112,281 |
| Income tax expense | | | | | | | (3,809,739) |
| Segment profit for the year | | | | | | | <u>15,302,542</u> |
| As at 31 December 2021 | | | | | | | |
| Segment total assets | 310,688,258 | 4,111,935 | 352,454,893 | 16,694,846 | 104,159,858 | 3,163,025 | 791,272,815 |
| Segment total liabilities | 258,296,248 | 2,384,463 | 288,708,306 | 2,074,517 | 88,715,037 | 457,652 | 640,636,223 |
| Year ended 31 December 2021 | | | | | | | |
| Other segment information: | | | | | | | |
| Depreciation and amortization expenses | 541,861 | 7,171 | 614,705 | 29,117 | 68,851 | 5,517 | 1,267,222 |
| Capital expenditure | 365,099 | 4,832 | 414,181 | 19,619 | 46,391 | 3,717 | 853,839 |

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

65. SEGMENT REPORTING *(continued)*

(b) Geographical segments

| Total revenue | Year ended 31 December | |
|-------------------------------|--------------------------|--------------------------|
| | 2022 | 2021 |
| Mainland, China | 36,268,483 | 42,259,137 |
| Hong Kong, China and overseas | 2,588,517 | 3,674,672 |
| Total | <u>38,857,000</u> | <u>45,933,809</u> |

The Group's non-current assets are mainly located in Mainland China (country of domicile).

(c) Information about a major customer

The Group has no single customer which contributed to 10 percent or more of the Group's revenue for the years ended 31 December 2022 and 2021.

66. FINANCIAL RISK MANAGEMENT

(1) Policies for and structure of risk management

Policies for risk management

The Group faces various financial risks in the normal course of business, mainly including credit risk, liquidity risk and market risk. The Group has established policies and procedures to identify and evaluate these risks, and continually monitors these risks by setting appropriate risk limits and internal control systems and through reliable management and information systems. The Group's risk management policies include two aspects: the objective of risk management and the principles of risk management.

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(1) Policies for and structure of risk management *(continued)*

Policies for risk management *(continued)*

Objective for risk management

The overall objective of the Group's risk management is to establish a management mechanism that enables scientific decision-making, standardized operation, efficient management and sustainable development that can maintain the Group's financial stability and improve its market position and performance. Specifically, it includes:

- ensuring strict compliance with relevant laws, regulations and the Group's policies;
- establishing and improving corporate governance that meets current requirements, and building scientific and proper processes of decision-making, execution, supervision and feedback;
- establishing a set of robust and effective risk management policies to identify errors and fraud, close loopholes, and ensure a healthy conduct of business activities;
- setting up a proper and effective risk measurement and analysis system, which can effectively identify, measure, analyze and evaluate various risks that may arise from the normal course of business, to ensure the safety and integrity of the Group's assets;
- improving management efficiency and effectiveness, striving to keep assets secured and risks well managed based on effective control of risk.

Principles for risk management

The principles for risk management include: appropriateness, coverage, independence, effectiveness, forward looking.

Structure of risk management

The Group's risk management structure includes corporate governance structure and risk management organizational structure.

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(1) Policies for and structure of risk management *(continued)*

Policies for risk management *(continued)*

Corporate governance structure

According to the "Company Law", "Securities Law" and "Code of Corporate Governance for Securities Companies" and other laws and regulations, the Group has established a modern corporate governance structure that features management comprising of Shareholders' Meetings, the Board of Directors, the Board of Supervisors and the senior management. The Group manages risks by explicitly stipulating management's authorization, responsibility and business objectives, and regulating their behaviors.

Organizational structure of risk management

The Company has established a four-level risk management system consisting of the Board (including Risk Control Committee) and Supervisory Committee, operation management (including risk management committee and assets and liabilities management committee), risk management department, other business departments and branches and subsidiaries. Risk management departments include those which are specifically responsible for risk management, such as the risk management department, the internal audit risk management department, the legal compliance department, and the group audit center, as well as departments that perform other risk management duties, such as the planning and finance department, the assets and liabilities department, the IT department, the operation center and the executive office.

(2) Credit risk

The Group's cash and bank balances are mainly deposited with state-owned commercial banks or joint-stock commercial banks with adequate capital. Clearing settlement funds are mainly deposited with China Securities Depository and Clearing Corporation Limited. The credit risk on cash and cash equivalents is relatively low.

The Group primarily faces three types of credit risks: firstly, the risk of loss arising from the Group's obligation to settle on behalf of its customers in securities trading or derivative trading on the customers' accounts which become under-margined on the settlement date due to the Group's failure to require full margin deposits before the transactions or because the customers are unable to cover their transactions due to other reasons; secondly, the credit risk associated with its securities financing activities, which is the risk of losses due to defaults of its margin financing and securities lending clients, securities repurchase clients and stock-pledged financing clients; thirdly, the default risk of investments in credit products, namely the risk of asset impairment and changes in investment returns due to defaults of borrowers or issuers who refuse to repay the principal and interest when due.

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

In order to manage the credit risk arising from the brokerage business, securities and futures brokerage transactions in Mainland China are all settled on a full-pledged basis, which enables the Group's credit risk associated with the brokerage business to be well under control.

Credit risk arises from the margin financing and securities lending business and stock-pledged financing primarily due to fraudulent information from clients, failure of customers to repay debts in full in a timely manner, customers' breach of contracts with respect to the size and structure of trading positions, customers' violation of regulatory requirements in their trading actions, and the involvement of collateral in legal disputes, among others. The Credit Business Department of the Company and its Hong Kong subsidiary has dedicated employees who are responsible for the approval of limits of margin deposits, stock-pledged financing business, and the margin financing and securities lending business, which are updated based on the periodic assessment of customers' ability to repay. The Credit and Risk Management Department monitors the status of margin deposits and stock-pledged financing, and makes margin calls when necessary. In cases where customers fail to deposit more money as required, collateralized securities will be sold to control the risk. When determining the expected credit loss of the margin financing and securities lending business, securities repurchase and stock-pledged financing, the Group estimates the probability of default based on practical experience and historical data, sets loss given default based on industrial information and market data, and takes forward-looking factors into consideration.

In order to manage default risks associated with investments in credit products, for bond investments, the Group has established credit lines for counterparties and investment restrictions in accordance with their credit ratings. When determining the expected credit loss on bond investments, the Group estimates the probability of default based on the mapping relationship of rating, sets loss given default based on industrial information and market data, and takes forward-looking factors into consideration.

For trade receivables, the Group applies a simplified approach in calculating ECLs based on the historical credit loss experience, adjusted for related information specific to the debtors and the economic environment, etc.

For other financial assets where the simplified approach was not adopted, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs ("LTECL") that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Both LTECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups debt financial assets under the requirement of IFRS 9 into Stage 1, Stage 2, Stage 3 and POCl, as described below:

- Stage 1: When debt financial assets are first recognized, the Group recognizes an allowance based on 12-month ECLs. Stage 1 debt financial assets also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When debt financial assets have shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 debt financial assets also include financial assets, where the credit risk has improved and the financial assets have been reclassified from Stage 3.
- Stage 3: Debt financial assets are considered credit-impaired. The Group records an allowance for the LTECLs.

POCl: Purchased or originated credit-impaired ("POCl") assets are financial assets that are credit-impaired on initial recognition. POCl assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered to be a (partial) derecognition of the financial asset.

When estimating the ECLs, the Group considers different scenarios. Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted debt instruments are expected to be recovered, including the probability that the debt instruments will cure and the value of collateral or the amount that might be received for selling the asset.

For financial assets held under resale agreements and margin accounts receivable, the allowance for ECLs may significantly fluctuate due to the decline in fair value of collaterals caused by stock market volatility, which may not fully cover the receivables. The Group considers multiple factors to determine the allowance for ECLs, such as the credit situation, repayment ability of the debtor, the credit enhancement measures of the third party, the liquidity and disposal cycle of collaterals.

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Criteria of significant increase in credit risk

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group considers reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analyses based on historical data, internal and external credit risk ranking, and forward-looking information. The Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition, on either an individual basis or a collective basis for the underlying portfolio of financial instruments with similar credit risk characteristics, to determine the change in the risk of a default occurring over the expected life of the financial instrument.

Relevant considerations in assessing whether the credit risk on the financial instrument has increased significantly include: whether the probability of default has increased significantly at the reporting date since initial recognition, whether the borrower's operating and financial condition has significant and adverse changes, whether the maintenance margin ratio has under a force liquidation level, whether the latest rating has under investment grade. Generally, the credit risk on a financial instrument is considered to have increased significantly when the contractual payment is more than or equal to 30 days past due regardless of the way in which the Group assesses significant increases in credit risk unless the Group has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly.

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Definition of credit-impaired financial asset

Credit impairment may be due to the combined effect of several events rather than a single discrete event. To determine whether a financial asset is credit-impaired, the Group considers one or more of the following both quantitative and qualitative indicators:

- The borrower is more than 90 days past due on its contractual payments;
- The collateral valuation falls short of the related loan amounts;
- The latest ratings are in default grade;
- Significant financial difficulty of the issuer or the borrower;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The Group, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Other circumstances that show financial assets are credit-impaired.

For Stock-pledged financing, based on the borrowers' credit quality, contract maturity date, the related collateral securities information, which includes the sector situation, liquidity discount factor, restrictions, concentration, volatility, maintenance margin ratio, issuers' operation condition and related information, the Group sets differentiated collateral to loan ratios (generally no less than 130%) as force liquidation thresholds against different exposures related to these transactions.

- Stock-pledged financing with maintenance margin ratio above the force liquidation thresholds, past due for no more than 30 days are classified under Stage 1;
- Stock-pledged financing with maintenance margin ratio above 100% while fall below the force liquidation thresholds, past due for more than 30 days but less than 90 days are classified under Stage 2;
- Stock-pledged financing with maintenance margin ratio fall below 100%, past due for more than 90 days are classified under Stage 3.

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Key parameters for expected credit losses

Depending on whether the credit risk is significantly increased or credit-impaired, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month or lifetime expected credit losses. The key parameters for measuring expected credit losses include the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Group considers the quantitative analysis of historical data (such as the credit rating of counter parties, ways of guarantee, the category of collateral, and ways of repayment, etc.) and forward-looking information, to establish a model of PD, LGD, and EAD.

Methods that is used in the calculation of expected credit losses

The Group considers PD/LGD impact on measuring expected credit losses:

- PD is an estimate of the likelihood that a borrower will be unable to meet its debt obligations over the future 12 months or the whole remaining lifetime. The Group estimates PD based on the historical default data, internal and external credit ratings and forward-looking information, etc.
- LGD is the estimated share of the exposure at default that is lost when a borrower defaults. LGD varies depending on the category of counterparties, ways and priority of recourse, and the category of collateral. LGD is the percentage of loss when default occurs;
- EAD is an estimation of the extent to which the Group may be exposed to a counterparty in the event of the counterparty's default in the future 12 months or the whole remaining lifetime;
- Forward-looking information, both the assessment of a significant increase in credit risk and calculation of expected credit losses include forward-looking information. The Group identifies the key economic factors affecting credit risk and the expected credit losses of different kinds of business based on historical data analysis. The Group forecasts economic factors periodically and applies expert judgments to determine the impact of forward-looking information on PD, etc.

For Stock-pledged financing, the Group periodically make assessments on the borrowers' credit risk based on available internal and external information, such as: historical default data, maintenance margin ratio, the liquidity, etc. Loss ratio (considers PD& LGD) applied by the Group under the 3 stages as at 31 December 2022 were as follows:

Stage 1: no less than 0.2% according to different maintenance margin ratios;

Stage 2: 0.5% to 10% according to different maintenance margin ratios;

Stage 3: Evaluate and determine the allowance for ECLs after considering the recoverable amount of each contract based on multiple factors, including qualitative and quantitative indicators such as the value of collaterals, maintenance margin ratio, the credit quality and repayment ability of the borrower, other collaterals conditions, the credit enhancement measures of the third party.

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(2) Credit risk *(continued)*

Methods that is used in the calculation of expected credit losses *(continued)*

(i) Maximum exposure to credit risk

The table below summarizes the Group's maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

| | As at 31 December | |
|---|---------------------------|--------------------|
| | 2022 | 2021 |
| Debt instruments at fair value through other comprehensive income | 61,189,315 | 66,838,416 |
| Financial assets held under resale agreements | 71,136,220 | 59,582,753 |
| Financial assets at fair value through profit or loss | 162,872,533 | 115,894,368 |
| Debt investments at amortised cost | 3,156,149 | — |
| Refundable deposits | 58,922,817 | 40,795,692 |
| Other non-current assets | 106,576 | 55,012 |
| Accounts receivable | 11,759,050 | 9,312,022 |
| Other current assets | 821,367 | 1,750,889 |
| Margin accounts receivable | 87,115,509 | 109,287,307 |
| Derivative financial assets | 8,232,823 | 4,157,399 |
| Clearing settlement funds | 7,414,914 | 6,726,022 |
| Cash held on behalf of brokerage customers | 158,867,961 | 151,178,698 |
| Bank balances | 30,747,456 | 31,655,816 |
| Total maximum credit risk exposure | <u>662,342,690</u> | <u>597,234,394</u> |

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities for shortage of capital or fund. The Group has adopted the following measures to manage liquidity risk:

Risk monitoring system built using net capital as the core indicator

The Group establishes a risk monitoring system using net capital as the core indicator and includes other indicators such as the risk coverage ratio, capital leverage ratio, etc. according to "Administrative Measures for Risk Control Indicators of Securities Companies". Meanwhile, the Company strictly adheres to the requirements as per "Guidance for Liquidity Risk Management of Securities Companies" and sets up a framework of the liquidity risk management which features with the liquidity coverage ratio and the net stable funding ratio as the core indicators. The Company continually monitors these indicators and maintains sufficient liquidity reserves by establishing multi-hierarchies of an efficient liquid asset management system.

Strictly controlling the scale of the proprietary trading business

The Group controls the scale of the proprietary trading business strictly. The proprietary investment to net capital ratio falls within the safety zone determined by the regulators. In addition, the Group also sets limits on the percentage of investments in securities and monitors them on a timely basis.

Implementation of risk budget

With the authorization of the Board of Directors, the Group prepares a risk budget for all businesses twice a year, i.e. at the beginning and in the middle of a year. Liquidity risk management is included as part of the risk budget.

Temporary liquidity replenishment mechanism

The Group has business cooperation with various commercial banks and obtains appropriate credit facilities, so as to establish a temporary liquidity replenishment mechanism. The commercial banks agreed to provide an overdraft facility amounting to RMB13,000 million and RMB13,000 million as at 31 December 2022 and 2021, respectively, in case of any temporary position shortage.

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

66. FINANCIAL RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

Temporary liquidity replenishment mechanism (continued)

The table below lists the maturity profiles of financial liabilities of the Group based on the remaining undiscounted contractual cash flows:

| 31 December 2022 | On demand | Within | 1 to | 3 months | 1 to 5 years | Over 5 years | Total |
|--|--------------------|--------------------|-------------------|-------------------|--------------------|-------------------|--------------------|
| | | 1 month | 3 months | to 1 year | | | |
| Financial liabilities | | | | | | | |
| Loans and borrowings | 21,483 | 9,845,839 | 4,542 | 23,544 | 109,095 | 545,611 | 10,550,114 |
| Short-term debt instruments | – | 755,535 | 1,946,749 | 11,088,728 | – | – | 13,791,012 |
| Placements from other financial institutions | – | 4,833,546 | 4,734,911 | 3,465,852 | – | – | 13,034,309 |
| Accounts payable to brokerage customers | 195,718,783 | – | – | – | – | – | 195,718,783 |
| Financial assets sold under repurchase agreements | 387,756 | 148,188,040 | 11,915,498 | 13,094,877 | – | – | 173,586,171 |
| Financial liabilities at fair value through profit or loss | 22,434 | 19,128,489 | 19,641,318 | 9,535,311 | 26,721,315 | – | 75,048,867 |
| Derivative financial liabilities | 14,011 | 734,119 | 5,083,598 | 3,137,097 | 821,618 | 216 | 9,790,659 |
| Bonds payable | – | 4,437,450 | 4,263,019 | 28,526,939 | 84,196,740 | 18,765,740 | 140,189,888 |
| Lease liabilities | – | 64,756 | 106,714 | 452,676 | 1,320,373 | 54,563 | 1,999,082 |
| Other current liabilities | 1,309,764 | 60,703,869 | 1,055,336 | 513,769 | – | – | 63,582,738 |
| Total financial liabilities | 197,474,231 | 248,691,643 | 48,751,685 | 69,838,793 | 113,169,141 | 19,366,130 | 697,291,623 |
| | | | | | | | |
| 31 December 2021 | On demand | Within | 1 to | 3 months | 1 to 5 years | Over 5 years | Total |
| | | 1 month | 3 months | to 1 year | | | |
| Financial liabilities | | | | | | | |
| Loans and borrowings | 32,178 | 2,886,519 | – | 1,459,674 | – | – | 4,378,371 |
| Short-term debt instruments | – | 7,675,388 | 4,515,513 | 34,304,864 | – | – | 46,495,765 |
| Placements from other financial institutions | – | 7,914,807 | 4,215,567 | – | – | – | 12,130,374 |
| Accounts payable to brokerage customers | 172,483,608 | – | – | – | – | – | 172,483,608 |
| Financial assets sold under repurchase agreements | 1,120,312 | 144,451,773 | 7,670,632 | 11,856,200 | – | – | 165,098,917 |
| Financial liabilities at fair value through profit or loss | 367,358 | 14,802,607 | 4,077,096 | 14,768,299 | 13,539,049 | – | 47,554,409 |
| Derivative financial liabilities | 32,535 | 401,507 | 2,703,861 | 5,442,585 | 827,264 | 345,121 | 9,752,873 |
| Bonds payable | – | 1,578,541 | 5,748,150 | 27,638,232 | 92,824,527 | 11,689,800 | 139,479,250 |
| Lease liabilities | – | 62,000 | 97,770 | 411,729 | 1,525,028 | 11,067 | 2,107,594 |
| Other current liabilities | 2,078,253 | 38,175,095 | 55,216 | 1,443,169 | – | – | 41,751,733 |
| Total financial liabilities | 176,114,244 | 217,948,237 | 29,083,805 | 97,324,752 | 108,715,868 | 12,045,988 | 641,232,894 |

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, exchange rates and securities' market prices.

The Group also engages in the stock and bond underwriting business, and may commit to purchase any remaining shares or bonds in standby underwriting agreements. Under these circumstances, the Group faces the risk that the market prices of the left-over portion may fall below the subscription price due to changes in market conditions.

The Group sets the maximum exposure for market risk. The monitoring and measurement of the exposure is determined according to the principal amount and the stop-loss limit. Market risk is controlled within the predetermined range set by management.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to financial instruments that are interest-bearing.

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

66. FINANCIAL RISK MANAGEMENT (continued)

(4) Market risk (continued)

(i) Interest rate risk (continued)

The tables below summarize the interest rate risk of the Group. Financial assets and liabilities are presented with reference to the earlier of the contractual repricing dates or maturity dates, and are stated at their carrying amounts.

| | Within 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|---|--------------------|-------------------|-----------------------|--------------------|-------------------|-------------------------|--------------------|
| 31 December 2022 | | | | | | | |
| Financial assets | | | | | | | |
| Debt instruments at fair value through other comprehensive income | 413,414 | 446,611 | 3,897,630 | 46,979,354 | 8,505,794 | 946,512 | 61,189,315 |
| Equity Instruments at fair value through other comprehensive income | – | – | – | – | – | 2,331,288 | 2,331,288 |
| Debt investments at amortised cost | – | 110,159 | 257,917 | 140,564 | 2,646,972 | 537 | 3,156,149 |
| Financial assets held under resale agreements | 45,623,489 | 3,315,378 | 21,714,018 | 298,307 | – | 185,028 | 71,136,220 |
| Financial assets at fair value through profit or loss | 2,405,203 | 8,249,079 | 44,836,919 | 79,468,275 | 26,311,745 | 170,130,023 | 331,401,244 |
| Refundable deposits | 1,063,211 | – | – | – | – | 57,859,606 | 58,922,817 |
| Other non-current assets | – | – | – | – | – | 106,576 | 106,576 |
| Accounts receivable | – | – | – | – | – | 11,759,050 | 11,759,050 |
| Other current assets | – | – | 103,500 | – | – | 717,867 | 821,367 |
| Margin accounts receivable | 4,649,573 | 26,319,598 | 54,305,354 | – | – | 1,840,984 | 87,115,509 |
| Derivative financial assets | 2,425 | 46,765 | 124,953 | 450,074 | 191 | 7,608,415 | 8,232,823 |
| Clearing settlement funds | 7,406,754 | – | – | – | – | 8,160 | 7,414,914 |
| Cash held on behalf of brokerage customers | 105,634,259 | 13,051,939 | 39,660,000 | – | – | 521,763 | 158,867,961 |
| Cash and bank balances | 28,525,112 | 231,849 | 1,779,200 | – | – | 211,763 | 30,747,924 |
| Total | 195,723,440 | 51,771,378 | 166,679,491 | 127,336,574 | 37,464,702 | 254,227,572 | 833,203,157 |
| Financial liabilities | | | | | | | |
| Loans and borrowings | 9,820,249 | – | 10,000 | 40,000 | 509,000 | 27,449 | 10,406,698 |
| Short-term debt instruments | 754,754 | 1,899,633 | 10,926,481 | – | – | 68,611 | 13,649,479 |
| Placements from other financial institutions | 4,812,803 | 4,688,427 | 3,427,652 | – | – | 38,323 | 12,967,205 |
| Accounts payable to brokerage customers | 154,314,932 | – | – | – | – | 41,403,851 | 195,718,783 |
| Financial assets sold under repurchase agreements | 148,419,131 | 11,739,501 | 12,771,812 | – | – | 306,238 | 173,236,682 |
| Financial liabilities at fair value through profit or loss | 16,884,421 | 19,641,318 | 9,535,310 | 26,146,872 | – | 2,840,946 | 75,048,867 |
| Derivative financial liabilities | 3,389 | 104,783 | 62,792 | 150,511 | 216 | 9,468,968 | 9,790,659 |
| Bonds payable | 3,999,810 | 3,998,092 | 25,171,827 | 76,673,361 | 15,987,963 | 2,052,541 | 127,883,594 |
| Lease liabilities | 59,570 | 96,814 | 415,091 | 1,261,950 | 51,750 | – | 1,885,175 |
| Other current liabilities | 37,744 | – | – | – | – | 63,544,994 | 63,582,738 |
| Total | 339,106,803 | 42,168,568 | 62,320,965 | 104,272,694 | 16,548,929 | 119,751,921 | 684,169,880 |
| Interest rate sensitivity exposure | (143,383,363) | 9,602,810 | 104,358,526 | 23,063,880 | 20,915,773 | 134,475,651 | 149,033,277 |

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

66. FINANCIAL RISK MANAGEMENT (continued)

(4) Market risk (continued)

(i) Interest rate risk (continued)

| 31 December 2021 | Within 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|---|----------------------|-------------------|-----------------------|--------------------|-------------------|-------------------------|--------------------|
| Financial assets | | | | | | | |
| Debt instruments at fair value through other comprehensive income | 332,460 | 1,039,974 | 10,312,939 | 45,539,957 | 8,629,758 | 983,328 | 66,838,416 |
| Equity Instruments at fair value through other comprehensive income | – | – | – | – | – | 2,480,358 | 2,480,358 |
| Financial assets held under resale agreements | 35,059,372 | 4,032,595 | 18,442,163 | 1,887,523 | – | 161,100 | 59,582,753 |
| Financial assets at fair value through profit or loss | 1,237,509 | 2,759,900 | 39,227,150 | 70,997,190 | 30,876,619 | 139,286,693 | 284,385,061 |
| Refundable deposits | 491,068 | – | – | – | – | 40,304,624 | 40,795,692 |
| Other non-current assets | – | – | – | – | – | 55,012 | 55,012 |
| Accounts receivable | – | – | – | – | – | 9,312,022 | 9,312,022 |
| Other current assets | 825,595 | – | – | – | – | 925,294 | 1,750,889 |
| Margin accounts receivable | 16,069,850 | 26,569,671 | 65,385,049 | – | – | 1,262,737 | 109,287,307 |
| Derivative financial assets | 282 | 40,252 | 4,479 | 38,074 | – | 4,074,312 | 4,157,399 |
| Clearing settlement funds | 6,714,784 | – | – | – | – | 11,238 | 6,726,022 |
| Cash held on behalf of brokerage customers | 104,791,098 | 10,455,600 | 35,932,000 | – | – | – | 151,178,698 |
| Cash and bank balances | 29,354,589 | 5,300 | 1,645,300 | – | – | 651,038 | 31,656,227 |
| Total | <u>194,876,607</u> | <u>44,903,292</u> | <u>170,949,080</u> | <u>118,462,744</u> | <u>39,506,377</u> | <u>199,507,756</u> | <u>768,205,856</u> |
| Financial liabilities | | | | | | | |
| Loans and borrowings | 2,885,540 | – | 1,453,740 | – | – | 1,509 | 4,340,789 |
| Short-term debt instruments | 7,535,474 | 4,468,043 | 33,647,030 | – | – | 370,755 | 46,021,302 |
| Placements from other financial institutions | 7,909,030 | 4,192,256 | – | – | – | 7,547 | 12,108,833 |
| Accounts payable to brokerage customers | 147,256,114 | – | – | – | – | 25,227,494 | 172,483,608 |
| Financial assets sold under repurchase agreements | 145,433,367 | 7,625,848 | 11,617,839 | – | – | 207,038 | 164,884,092 |
| Financial liabilities at fair value through profit or loss | 11,473,096 | 4,050,809 | 14,516,112 | 15,715,040 | – | 1,734,475 | 47,489,532 |
| Derivative financial liabilities | 3,233 | 246,048 | 51,606 | 89,454 | – | 9,362,532 | 9,752,873 |
| Bonds payable | 1,272,941 | 5,037,428 | 24,090,083 | 84,748,496 | 9,742,411 | 1,875,739 | 126,767,098 |
| Lease liabilities | 55,544 | 86,639 | 368,804 | 1,418,703 | 10,418 | – | 1,940,108 |
| Other current liabilities | – | – | – | – | – | 41,751,733 | 41,751,733 |
| Total | <u>323,824,339</u> | <u>25,707,071</u> | <u>85,745,214</u> | <u>101,971,693</u> | <u>9,752,829</u> | <u>80,538,822</u> | <u>627,539,968</u> |
| Interest rate sensitivity exposure | <u>(128,947,732)</u> | <u>19,196,221</u> | <u>85,203,866</u> | <u>16,491,051</u> | <u>29,753,548</u> | <u>118,968,934</u> | <u>140,665,888</u> |

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

66. FINANCIAL RISK MANAGEMENT (continued)

(4) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

The Group uses sensitivity analysis to measure the impact on net interest income, fair value gains or losses and equity due to changes in interest rates. The sensitivity of net interest income represents the fluctuation of net interest income, as a result of certain changes in interest rates, arising from financial assets and liabilities held at the year end which will be repriced within the next year. The sensitivity of fair value gains or losses and equity are calculated as the fluctuations in fair values of fixed-rate financial assets that are classified at fair value through profit or loss and debt instruments at fair value through other comprehensive income, due to certain changes in interest rates.

The table below summarizes the results of the sensitivity analysis, and shows the impact on net profits and other comprehensive income (net of tax) resulting from a reasonably possible change in the interest rate, based on the assets and liabilities held as at 31 December 2022 and 2021, with all other variables held constant.

| | As at 31 December | | | |
|------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | 2022 | | 2021 | |
| | +50 BP | - 50 BP | +50 BP | - 50 BP |
| Change in | | | | |
| – net profit | (660,548) | 664,006 | (1,236,614) | 1,334,286 |
| – other comprehensive income | (589,467) | 608,027 | (684,551) | 734,346 |
| Change in equity | <u>(1,250,015)</u> | <u>1,272,033</u> | <u>(1,921,165)</u> | <u>2,068,632</u> |

(ii) Currency risk

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from movements in foreign exchange rates. The Group's currency risk primarily relates to business activities denominated in foreign currencies different from the Group's functional currency, and its net investments in foreign subsidiaries.

Except for the subsidiaries incorporated in Hong Kong which hold assets mainly denominated in HKD, the assets and liabilities denominated in foreign currencies represent only an insignificant portion of the Group's entire assets and liabilities.

The Group's currency risk is not material because the net foreign currency exposure is relatively low.

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(4) Market risk *(continued)*

(iii) Price risk

Price risk is the risk that the fair value of equity securities declines because of unfavorable changes in the stock index level or the price of individual securities.

The Group mainly invests in listed equity securities, warrants, funds, stock futures, etc. The Group's maximum exposure to price risk is determined by the fair value of financial instruments it holds.

The above financial instruments are exposed to price risk due to fluctuations in fair values, which can be caused by factors specific to individual financial instruments or their issuers, or factors affecting all financial instruments traded in the market.

The analysis below is to show the impact on net profit and other comprehensive income (net of tax) due to changes in fair values of investments in equity securities, funds, equity derivative financial assets/liabilities, trust products, stock futures and other equity investments by 10%, based on the carrying amounts at the end of each reporting period, with all other variables held constant.

Sensitivity analysis

| | As at 31 December | | | |
|------------------------------|--------------------------|----------------------------|-------------------|---------------------|
| | 2022 | | 2021 | |
| | +10% | -10% | +10% | -10% |
| Change in | | | | |
| – net profit | 11,219,460 | (11,219,460) | 9,858,422 | (9,858,422) |
| – other comprehensive income | 175,468 | (175,468) | 186,027 | (186,027) |
| Change in equity | <u>11,394,928</u> | <u>(11,394,928)</u> | <u>10,044,449</u> | <u>(10,044,449)</u> |

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(5) Capital management

The Group's objectives for capital management are:

- to safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth;
- to maintain a strong capital base to support the development of their business; and
- to comply with the capital requirements under the PRC and Hong Kong regulations.

The Group manages and adjusts its capital structure in accordance with changes in the economic situation and risk characteristics of relevant assets. In order to maintain or adjust its capital structure, the Company may adjust profit distribution to shareholders, return capital, issue new shares, subordinated debts and convertible bonds, etc.

The Group adopts net capital as the indicator to manage its capital. Net capital is a comprehensive risk control indicator which is calculated as net assets minus risk adjustments on certain assets, liabilities and business, determined in accordance with securities companies' business scope and liquidity of their assets and liabilities.

On 23 January 2020, the CSRC issued the Calculation Rules for Risk Control Indicators of Securities Companies, which came into effect on 1 June 2020; on 20 March 2020, the CSRC issued the Administrative Measures for Risk Control Indicators of Securities Companies (2020 amended) with amendments to the framework and criteria of risk control indicators which securities companies must be continually compliant, which came into effect on 20 March 2020. Based on the rules above and other related rules issued or revised subsequently, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) the ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- (ii) the ratio of net capital divided by net assets shall be no less than 20%;
- (iii) the ratio of net capital divided by liabilities shall be no less than 8%;
- (iv) the ratio of net assets divided by liabilities shall be no less than 10%;
- (v) the ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100%;

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

66. FINANCIAL RISK MANAGEMENT *(continued)*

(5) Capital management *(continued)*

- (vi) the ratio of the value of non-equity securities and non-equity derivatives held divided by net capital shall not exceed 500%;
- (vii) the ratio of core net capital divided by total assets on and off-balance sheet shall be no less than 8%;
- (viii) the ratio of high quality liquid assets divided by net cash outflows within 30 days shall be no less than 100%;
- (ix) the ratio of stable funds available divided by stable funds required shall be no less than 100%; and
- (x) the ratio of the value of margin financing, securities lending, stock-pledged financing and securities repurchase divided by net capital shall not exceed 400%.

Certain subsidiaries of the Company are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

67. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable and willing parties in an arm's length transaction. Methods and assumptions below are used to estimate the fair value.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments.

- (a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

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

67. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis:

| 31 December 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|--------------------|-------------------|--------------------|
| Financial assets at fair value through profit or loss | | | | |
| At fair value through profit or loss | | | | |
| – Debt securities | 914,061 | 146,496,581 | 1,147,782 | 148,558,424 |
| – Funds | 33,710,515 | 57,676,142 | 5,593,489 | 96,980,146 |
| – Equity securities | 37,659,457 | 10,310,967 | 3,320,652 | 51,291,076 |
| – Other investments | 1,144,555 | 27,690,021 | 5,737,022 | 34,571,598 |
| Debt instruments at fair value through other comprehensive income | | | | |
| – Debt securities | 279,271 | 60,910,044 | – | 61,189,315 |
| Equity Instruments at fair value through other comprehensive income | | | | |
| – Equity securities | 2,081,878 | 3,097 | 246,313 | 2,331,288 |
| Derivative financial assets | 699,956 | 7,532,867 | – | 8,232,823 |
| Total | <u>76,489,693</u> | <u>310,619,719</u> | <u>16,045,258</u> | <u>403,154,670</u> |
| Financial liabilities at fair value through profit or loss | | | | |
| At fair value through profit or loss | | | | |
| – Equity securities | 543,882 | – | – | 543,882 |
| – Debt securities | – | 9,503,187 | – | 9,503,187 |
| – Others | – | 640,856 | – | 640,856 |
| Designated as at fair value through profit or loss | | | | |
| – Debt securities | – | 55,870,959 | 6,833,775 | 62,704,734 |
| – Others | 420,047 | 728,148 | 508,013 | 1,656,208 |
| Derivative financial liabilities | 216,732 | 9,573,927 | – | 9,790,659 |
| Total | <u>1,180,661</u> | <u>76,317,077</u> | <u>7,341,788</u> | <u>84,839,526</u> |

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

67. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(1) Fair values of the financial assets and financial liabilities that are measured at fair value on a recurring basis: *(continued)*

| 31 December 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|--------------------------|---------------------------|--------------------------|---------------------------|
| Financial assets at fair value through profit or loss | | | | |
| At fair value through profit or loss | | | | |
| – Debt securities | 1,649,948 | 128,624,806 | 1,479,802 | 131,754,556 |
| – Funds | 28,881,448 | 48,466,933 | 5,729,476 | 83,077,857 |
| – Equity securities | 21,641,328 | 11,674,952 | 1,783,365 | 35,099,645 |
| – Other investments | 1,108,986 | 29,076,185 | 4,267,832 | 34,453,003 |
| Debt instruments at fair value through other comprehensive income | | | | |
| – Debt securities | 1,617,647 | 65,220,769 | – | 66,838,416 |
| Equity Instruments at fair value through other comprehensive income | | | | |
| – Equity securities | 2,033,181 | 139,456 | 307,721 | 2,480,358 |
| Derivative financial assets | <u>739,654</u> | <u>3,417,745</u> | <u>–</u> | <u>4,157,399</u> |
| Total | <u><u>57,672,192</u></u> | <u><u>286,620,846</u></u> | <u><u>13,568,196</u></u> | <u><u>357,861,234</u></u> |
| Financial liabilities at fair value through profit or loss | | | | |
| At fair value through profit or loss | | | | |
| – Equity securities | 156,886 | – | – | 156,886 |
| – Debt securities | – | 5,692,128 | – | 5,692,128 |
| – Others | 322,971 | 259,450 | – | 582,421 |
| Designated as at fair value through profit or loss | | | | |
| – Debt securities | – | 34,872,666 | 5,190,264 | 40,062,930 |
| – Others | – | 367,358 | 627,809 | 995,167 |
| Derivative financial liabilities | <u>175,062</u> | <u>9,577,811</u> | <u>–</u> | <u>9,752,873</u> |
| Total | <u><u>654,919</u></u> | <u><u>50,769,413</u></u> | <u><u>5,818,073</u></u> | <u><u>57,242,405</u></u> |

During the year mentioned above, there were no significant transfers of fair value measurements between Level 1 and Level 2.

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

67. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(2) Valuation process and methods for specific investments

As at the end of the reporting period, the Group's valuation methods and assumptions are as follows:

Level 1

Fair value of financial investment is based on quoted prices (unadjusted) reflected in active markets for identical assets or liabilities.

Level 2

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

During the year, the Group held no changes on the valuation techniques for Level 2.

Level 3

Fair value of financial investment is based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For certain unlisted equity securities and debt securities, the Group adopts the valuation techniques and quotation from counterparties' quotations or valuation techniques to determine the fair value. Valuation techniques include a discounted cash flow analysis, the market comparison approach, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, price to book ratio, price to earnings ratio, liquidity discount, etc. Fair value change resulting from changes in the unobservable inputs was not significant. The Finance Department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in Level 3.

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

67. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(3) Movements in Level 3 financial instruments measured at fair value:

| | Year ended 31 December 2022 | | |
|--|--|--|---|
| | Financial assets at fair value through profit or loss | Equity instruments at fair value through other comprehensive income | Financial liabilities at fair value through profit or loss |
| As at 1 January 2022 | 13,260,475 | 307,721 | (5,818,073) |
| Gains/(losses) for the year | 685,304 | — | (1,094,235) |
| Changes in fair value recognized in other comprehensive income | — | (73,469) | — |
| Additions | 1,404,751 | 25,000 | (1,293,064) |
| Transfers in | 1,153,978 | 67 | — |
| Transfers out | (10,906) | — | — |
| Decreases | (694,657) | (13,006) | 863,584 |
| As at 31 December 2022 | <u>15,798,945</u> | <u>246,313</u> | <u>(7,341,788)</u> |
| | Year ended 31 December 2021 | | |
| | Financial assets at fair value through profit or loss | Equity instruments at fair value through other comprehensive income | Financial liabilities at fair value through profit or loss |
| As at 1 January 2021 | 14,905,879 | 366,383 | (8,674,818) |
| Gains/(losses) for the year | 489,997 | — | (500,939) |
| Changes in fair value recognized in other comprehensive income | — | (59,673) | — |
| Additions | 2,903,444 | — | — |
| Transfers in | 1,678,501 | 1,011 | — |
| Transfers out | (3,286,089) | — | — |
| Decreases | (2,949,444) | — | 3,357,684 |
| Lost control of a subsidiary | (481,813) | — | — |
| As at 31 December 2021 | <u>13,260,475</u> | <u>307,721</u> | <u>(5,818,073)</u> |

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

67. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(4) Important unobservable input value in fair value measurement of Level 3

For financial instruments in Level 3, prices are determined using valuation techniques such as discounted cash flow models and other similar techniques. Categorization of fair value measured within Level 3 of the valuation hierarchy is generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs of major financial instruments in Level 3.

As at 31 December 2022:

| Financial assets/liabilities | Fair value | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|------------------------------------|-------------|---|------------------------------------|--|
| Stocks/unlisted equity investments | 1,344,243 | Market comparable model | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Stocks/unlisted equity investments | 2,132,773 | Recent transaction price | N/A | N/A |
| Stocks/unlisted equity investments | 89,949 | Discounted cash flow model | Risk adjusted discount rate | The higher the risk adjusted discounted rate, the lower the fair value |
| Debt investments | 175,653 | Market comparable model | Pricing multiples | The higher the pricing multiples, the higher the fair value |
| Debt investments | 972,129 | Discounted cash flow model | Collateral Value | N/A |
| Unlisted funds | 2,749,040 | Net Asset Value | N/A | N/A |
| Unlisted funds | 722,038 | Market comparable model | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Unlisted funds | 2,122,411 | Recent transaction price | N/A | N/A |
| Other investments | 5,737,022 | Net Asset Value | N/A | N/A |
| Financial liabilities | (508,013) | Market comparable model | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Financial liabilities | (6,833,775) | Recent transaction price | N/A | N/A |

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

67. FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(4) Important unobservable input value in fair value measurement of Level 3 *(continued)*

As at 31 December 2021:

| Financial assets/liabilities | Fair value | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input(s) to fair value |
|------------------------------------|-------------|---|------------------------------------|--|
| Stocks/unlisted equity investments | 855,846 | Market comparable model | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Stocks/unlisted equity investments | 1,182,079 | Recent transaction price | N/A | N/A |
| Stocks/unlisted equity investments | 53,161 | Discounted cash flow model | Risk adjusted discount rate | The higher the risk adjusted discounted rate, the lower the fair value |
| Debt investments | 1,479,802 | Recent transaction price | N/A | N/A |
| Unlisted funds | 716,483 | Market comparable model | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Unlisted funds | 5,012,993 | Recent transaction price | N/A | N/A |
| Other investments | 3,448,478 | Recent transaction price | N/A | N/A |
| Other investments | 819,354 | Discounted cash flow model | Risk adjusted discount rate | The higher the risk adjusted discounted rate, the lower the fair value |
| Financial liabilities | (627,809) | Market comparable model | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Financial liabilities | (5,190,264) | Recent transaction price | N/A | N/A |

The fair value of the financial instruments in Level 3 is not significantly sensitive to a reasonable change in these unobservable inputs.

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

67. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(5) Financial assets and liabilities not measured at fair value

As at 31 December 2022 and 31 December 2021, the carrying amounts of the Group's financial instruments carried at cost or amortized cost approximated their fair values, except for debt investments at amortised cost and bonds payable, whose carrying amounts and fair values are summarized below.

| | As at 31 December 2022 | | | | |
|------------------------------------|------------------------|--------------------|-------------------|-------------------|----------|
| | Carrying amounts | Fair values | Level 1 | Level 2 | Level 3 |
| Debt investments at amortised cost | 3,156,149 | 3,230,273 | — | 3,230,273 | — |
| Bonds payable | <u>127,883,594</u> | <u>129,829,813</u> | <u>73,999,473</u> | <u>55,830,340</u> | <u>—</u> |

| | As at 31 December 2021 | | | | |
|---------------|------------------------|--------------------|-------------------|--------------------|------------------|
| | Carrying amounts | Fair values | Level 1 | Level 2 | Level 3 |
| Bonds payable | <u>126,767,098</u> | <u>129,727,119</u> | <u>14,978,140</u> | <u>111,411,490</u> | <u>3,337,489</u> |

68. EVENTS AFTER THE REPORTING PERIOD

1. Issuance of corporate bonds and short-term financing bills, drawdown of medium term notes

On 9 January 2023, the Company has publicly issued 1st batch of corporate bonds to qualified investors, with Category I of 770 days with a nominal amount of RMB3 billion, bearing interest at 2.90% per annum and Category II of 1,096 days with a nominal amount of RMB3 billion, bearing interest at 3.07% per annum.

On 2 February 2023, the Company has issued 1st batch of short-term financing bills. The bills are of 266 days with a nominal amount of RMB4 billion, bearing interest at 2.65% per annum.

On 15 February 2023, the Company has publicly issued 2nd batch of corporate bonds to qualified investors, with Category I of 731 days with a nominal amount of RMB1.5 billion, bearing interest at 2.92% per annum and Category II of 1,096 days with a nominal amount of RMB4.5 billion, bearing interest at 3.16% per annum.

On 9 March 2023, the Company has issued 2nd batch of short-term financing bills. The bills are of 364 days with a nominal amount of RMB4 billion, bearing interest at 2.80% per annum.

On 10 March 2023, the Company's subsidiary, Guotai Junan Holdings Limited has drawdown RMB500 million under a medium term note programme. The notes are of 3 years, bearing interest at 3.35% per annum.

On 23 March 2023, the Company's subsidiary, Guotai Junan Holdings Limited has drawdown RMB935 million under a medium term note programme. The notes are of 3 years, bearing interest at 3.35% per annum.

On 24 March 2023, the Company's subsidiary, Guotai Junan Holdings Limited has drawdown RMB500 million under a medium term note programme. The notes are of 3 years, bearing interest at 3.35% per annum.

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

69. STANDARDS AND AMENDMENTS RELEVANT TO THE GROUP THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED BEFORE THEIR EFFECTIVE DATES IN 2022

The Group has not adopted the following new standards and amendments that have been issued by the IASB but are not yet effective.

| | | | Effective for annual periods beginning on or after | Notes |
|-----|---|---|---|--------------|
| (1) | IFRS 17 | Insurance Contracts | 1 January 2023 | (i) |
| (2) | Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 | (ii) |
| (3) | Amendments to IAS 8 | Definition of Accounting Estimates | 1 January 2023 | (iii) |
| (4) | Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 | (iv) |
| (5) | Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback | 1 January 2024 | (v) |
| (6) | Amendments to IAS 1 (2020) | Classification of Liabilities as Current or Non-current | 1 January 2024 | (vi) |
| (7) | Amendments to IAS 1 (2022) | Non-current Liabilities with Covenants | 1 January 2024 | (vi) |
| (8) | Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture | The effective date has now been deferred indefinitely | (vii) |

(i) IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. Amendments to IFRS 17 were issued in June 2020 and December 2021 to address stakeholder concerns and implementation challenges. IFRS 17 sets out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, and the amendments should be applied at the same time. The Group will adopt IFRS 17 from 1 January 2023. The Group will change its accounting policies from the beginning of 2023 and disclose its financial statements in accordance with IFRS 17 and its amendments since the first quarterly report of 2023. Based on a preliminary assessment, the Group anticipates that the adoption of IFRS 17 and its amendments will not have a significant impact on the Group's consolidated financial statements.

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

69. STANDARDS AND AMENDMENTS RELEVANT TO THE GROUP THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED BEFORE THEIR EFFECTIVE DATES IN 2022 (continued)

(ii) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments clarify that an entity will be required to disclose its “material” accounting policy information as opposed to “significant” accounting policies and provide additional guidance on how to identify material accounting policy information. The amendments to IFRS Practice Statement 2 provide additional guidance and examples to explain and illustrate the application of the “four-step materiality process” to accounting policy information. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(iii) Amendments to IAS 8: Definition of Accounting Estimates

The amendments now define “accounting estimates” as “monetary amounts in financial statements that are subject to measurement uncertainty” and remove the definition of “a change in accounting estimate”. The amendments also clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(iv) Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments specify how entities should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition. As a result, entities will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(v) Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments add to the requirements explaining how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains, including cases with variable lease payments in the leaseback. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

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

69. STANDARDS AND AMENDMENTS RELEVANT TO THE GROUP THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED BEFORE THEIR EFFECTIVE DATES IN 2022 *(continued)*

(vi) Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

The amendments to IAS 1 (2020) concern the requirements on determining if a liability is current or non-current. In particular, the amendments specify the condition of an entity to classify a liability as non-current requires that a right to defer settlement must exist at the end of the reporting period and have substance, and clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement.

The amendments also specify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments. When a liability includes a counterparty conversion option that involves a transfer of the entity's own equity instruments, the classification of such liability is not affected only when the conversion option is recognized separately from the host liability as an equity component under IAS 32.

The amendments to IAS 1 (2022) specify that only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the entity must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, an entity is required to disclose information regarding the risk that the non-current liabilities subject to future covenants could become repayable within twelve months after the end of the reporting period.

The 2022 amendments defer the effective date of the 2020 amendments to annual reporting periods beginning on or after 1 January 2024. If an entity applies one of these two amendments for an earlier period, the other amendments should also be applied for that period.

The Group anticipates that the adoption of the amendments will have no impact on the Group's consolidated financial statements.

(vii) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

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

70. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | As at 31 December | |
|---|--------------------|--------------------|
| | 2022 | 2021 |
| Non-current assets | | |
| Property and equipment | 1,510,995 | 1,620,978 |
| Right-of-use assets | 1,290,601 | 1,369,867 |
| Other intangible assets | 646,138 | 603,487 |
| Investments in subsidiaries | 26,965,388 | 19,899,368 |
| Investments in associates | 4,855,225 | 6,721,564 |
| Debt instruments at fair value through other comprehensive income | 50,929,592 | 54,045,842 |
| Equity instruments at fair value through other comprehensive income | 1,639,620 | 2,034,488 |
| Financial assets held under resale agreements | 298,860 | 1,893,344 |
| Financial assets at fair value through profit or loss | 4,102,149 | 6,468,160 |
| Refundable deposits | 14,692,377 | 10,797,558 |
| Deferred tax assets | 1,317,052 | 1,030,133 |
| Other non-current assets | 112,606 | 1,824,461 |
| Total non-current assets | 108,360,603 | 108,309,250 |
| Current assets | | |
| Accounts receivable | 4,862,372 | 1,881,718 |
| Other current assets | 9,225,810 | 3,609,743 |
| Margin accounts receivable | 81,509,790 | 97,149,697 |
| Debt instruments at fair value through other comprehensive income | 4,480,350 | 11,794,214 |
| Financial assets held under resale agreements | 67,448,024 | 50,846,823 |
| Financial assets at fair value through profit or loss | 242,611,338 | 208,703,145 |
| Derivative financial assets | 7,014,244 | 3,722,087 |
| Clearing settlement funds | 7,994,016 | 7,305,231 |
| Cash held on behalf of brokerage customers | 86,690,419 | 88,726,761 |
| Cash and bank balances | 20,304,454 | 22,853,734 |
| Total current assets | 532,140,817 | 496,593,153 |
| Total assets | 640,501,420 | 604,902,403 |

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

70. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

| | As at 31 December | |
|--|--------------------|--------------------|
| | 2022 | 2021 |
| Current liabilities | | |
| Short-term debt instruments | 10,268,654 | 32,360,695 |
| Placements from other financial institutions | 12,967,205 | 12,108,833 |
| Accounts payable to brokerage customers | 88,991,027 | 87,610,710 |
| Employee benefits payable | 6,432,071 | 6,669,415 |
| Income tax payable | 1,211,538 | 1,433,151 |
| Financial assets sold under repurchase agreements | 155,980,534 | 152,586,993 |
| Financial liabilities at fair value through profit or loss | 32,308,840 | 13,694,835 |
| Derivative financial liabilities | 9,492,608 | 8,812,780 |
| Bonds payable | 33,724,583 | 27,706,455 |
| Contract liabilities | 79,730 | — |
| Lease liabilities | 436,745 | 420,489 |
| Other current liabilities | 53,213,786 | 35,291,651 |
| Total current liabilities | 405,107,321 | 378,696,007 |
| Net current assets | 127,033,496 | 117,897,146 |
| Total assets less current liabilities | 235,394,099 | 226,206,396 |
| Non-current liabilities | | |
| Loans and borrowings | 559,151 | — |
| Bonds payable | 85,778,869 | 87,163,730 |
| Lease liabilities | 1,003,165 | 1,087,287 |
| Financial liabilities at fair value through profit or loss | 8,663,667 | 6,443,516 |
| Other non-current liabilities | 335,976 | 193,676 |
| Total non-current liabilities | 96,340,828 | 94,888,209 |
| Net assets | 139,053,271 | 131,318,187 |
| Equity | | |
| Share capital | 8,906,673 | 8,908,450 |
| Other equity instruments | 16,046,936 | 11,071,656 |
| Treasury shares | (393,371) | (638,820) |
| Reserves | 73,729,940 | 72,046,822 |
| Retained profits | 40,763,093 | 39,930,079 |
| Total equity | 139,053,271 | 131,318,187 |

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

70. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

| | Reserves | | | | | | | | |
|---|------------------|--------------------------|-------------------|--------------------------------|------------------|-------------------|------------------|-------------------|--------------------|
| | Share capital | Other equity instruments | Capital reserve | Investment revaluation reserve | Surplus reserve | General reserve | Treasury Shares | Retained profits | Total |
| At 31 December 2021 | <u>8,908,450</u> | <u>11,071,656</u> | <u>44,354,202</u> | <u>622,207</u> | <u>7,172,529</u> | <u>19,897,884</u> | <u>(638,820)</u> | <u>39,930,079</u> | <u>131,318,187</u> |
| Profit for the year | - | - | - | - | - | - | - | 9,158,149 | 9,158,149 |
| Other comprehensive income for the year | - | - | - | (448,049) | - | - | - | - | (448,049) |
| Total comprehensive income for the year | - | - | - | (448,049) | - | - | - | 9,158,149 | 8,710,100 |
| Issue of perpetual bonds | - | 4,975,283 | - | - | - | - | - | - | 4,975,283 |
| Appropriation to general reserve | - | - | - | - | - | 1,831,630 | - | (1,831,630) | - |
| Dividends | - | - | - | - | - | - | - | (6,056,537) | (6,056,537) |
| Distribution to other equity instrument holders | - | - | - | - | - | - | - | (402,500) | (402,500) |
| Other comprehensive income that has been reclassified to retained profits | - | - | - | 34,468 | - | - | - | (34,468) | - |
| Conversion of convertible bonds | 1 | (3) | 21 | - | - | - | - | - | 19 |
| Deregistration of treasury shares | (1,778) | - | (10,810) | - | - | - | 12,588 | - | - |
| Equity-settled share-based payments | - | - | 275,858 | - | - | - | 232,861 | - | 508,719 |
| At 31 December 2022 | <u>8,906,673</u> | <u>16,046,936</u> | <u>44,619,271</u> | <u>208,626</u> | <u>7,172,529</u> | <u>21,729,514</u> | <u>(393,371)</u> | <u>40,763,093</u> | <u>139,053,271</u> |

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

70. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

| | Reserves | | | | | | | | Total |
|---|---------------|--------------------------|-----------------|--------------------------------|-----------------|-----------------|-----------------|------------------|-------------|
| | Share capital | Other equity instruments | Capital reserve | Investment revaluation reserve | Surplus reserve | General reserve | Treasury Shares | Retained profits | |
| At 31 December 2020 | 8,908,448 | 11,071,661 | 44,143,827 | 926,827 | 7,172,529 | 17,465,026 | (776,909) | 35,408,355 | 124,319,764 |
| Profit for the year | — | — | — | — | — | — | — | 11,919,066 | 11,919,066 |
| Other comprehensive income for the year | — | — | — | (90,135) | — | — | — | — | (90,135) |
| Total comprehensive income for the year | — | — | — | (90,135) | — | — | — | 11,919,066 | 11,828,931 |
| Appropriation to general reserve | — | — | — | — | — | 2,383,813 | — | (2,383,813) | — |
| Dividends | — | — | — | — | — | — | — | (4,983,132) | (4,983,132) |
| Distribution to other equity instrument holders | — | — | — | — | — | — | — | (402,500) | (402,500) |
| Other comprehensive income that has been reclassified to retained profits | — | — | — | (175,919) | — | — | — | 175,919 | — |
| Conversion of convertible bonds | 2 | (5) | 27 | — | — | — | — | — | 24 |
| Acquisition of treasury shares | — | — | — | — | — | — | (12,588) | — | (12,588) |
| Equity-settled share-based payments | — | — | 207,170 | — | — | — | 150,677 | — | 357,847 |
| Lost control of a subsidiary | — | — | 3,178 | (38,566) | — | 49,045 | — | 196,184 | 209,841 |
| At 31 December 2021 | 8,908,450 | 11,071,656 | 44,354,202 | 622,207 | 7,172,529 | 19,897,884 | (638,820) | 39,930,079 | 131,318,187 |

71. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on 29 March 2023.

Section XI Information Disclosure of Securities Company

I. RELEVANT INFORMATION ABOUT SIGNIFICANT ADMINISTRATIVE PERMISSIONS FOR THE COMPANY

Applicable Not applicable

(I) Administrative Permissions of the Company

| No. | Date of approval | Headings of approval | No. of approval |
|-----|------------------|--|----------------------------------|
| 1 | 6 January 2022 | Reply of the China Securities Regulatory Commission on Approving the Registration of the Public Offering of Corporate Bonds by Guotai Junan Securities Co., Ltd. to Professional Investors (中國證券監督管理委員會關於同意國泰君安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) | Zheng Jian Xu Ke [2022] No. 33 |
| 2 | 13 June 2022 | Reply of the China Securities Regulatory Commission on Approving the Registration of the Public Offering of Perpetual Subordinated Corporate Bonds by Guotai Junan Securities Co., Ltd. to Professional Investors (中國證券監督管理委員會關於同意國泰君安證券股份有限公司向專業投資者公開發行永續次級公司債券註冊的批覆) | Zheng Jian Xu Ke [2022] No. 1217 |
| 3 | 27 June 2022 | Reply of the China Securities Regulatory Commission on the Establishment of a Subsidiary in Macau by Guotai Junan Securities Co., Ltd. (中國證券監督管理委員會關於國泰君安證券股份有限公司設立澳門子公司的覆函) | Ji Gou Bu Han [2022] No. 1155 |

Section XI Information Disclosure of Securities Company

| | | | |
|---|-----------------|--|-------------------------------|
| 4 | 12 October 2022 | Reply the China Securities Regulatory Commission on Approval for the Qualification for Market Making and Trading Business of Listed Securities by Guotai Junan Securities Co., Ltd. (中國證券監督管理委員會關於核准國泰君安證券股份有限公司上市證券做市交易業務資格的批覆) | Ji Gou Bu Han [2022] No. 2453 |
| 5 | 25 October 2022 | Reply of the China Securities Regulatory Commission on the Establishment of a Subsidiary in Europe by Guotai Junan Securities Co., Ltd. (中國證券監督管理委員會關於國泰君安證券股份有限公司設立歐洲子公司的覆函) | Ji Gou Bu Han [2022] No. 1748 |

(II) Administrative Permissions of HuaAn Funds

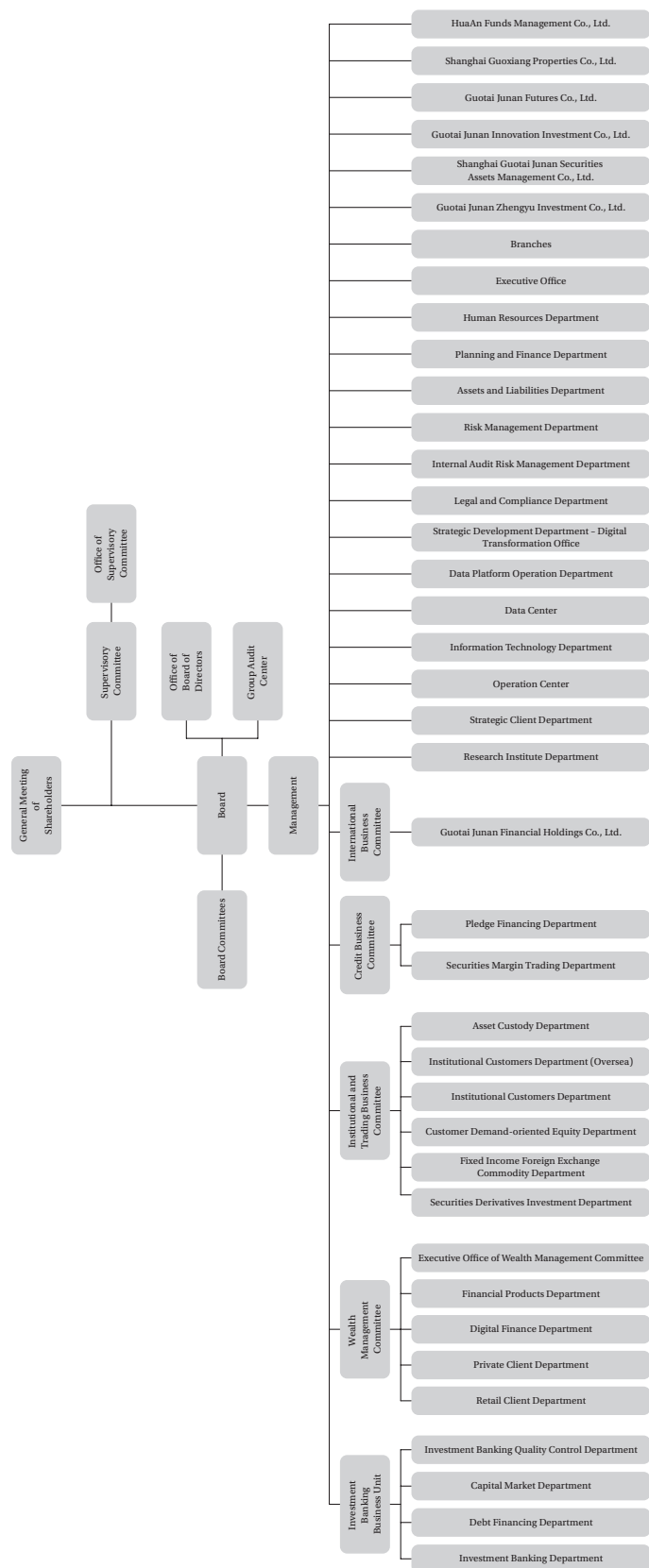
| No. | Date of approval | Headings of approval | No. of approval |
|-----|------------------|---|----------------------------------|
| 1 | 7 March 2022 | Reply of Approval on the Change of Equity Interest in HuaAn Funds Management Co., Ltd. | Zheng Jian Xu Ke [2022] No. 469 |
| 2 | 8 October 2022 | Reply of Approval on the Change of Actual Controller of HuaAn Fund Management Co., Ltd. | Zheng Jian Xu Ke [2022] No. 2382 |

II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

Applicable Not applicable

The Company's classified evaluation result in 2022: Class A Grade AA.

Appendix I Organization Chart of the Company



Appendix II Basic Information of Branch Office

1. BRANCH OFFICE OF THE COMPANY

| Branch office | Address | Date of establishment | Registered capital (or working capital) | Person-in-charge | Contact number |
|----------------------------|---|-----------------------|---|-----------------------|----------------|
| Anhui Branch Office | Rooms 2501,2510,2511 and 2512, 25F, AHCOF International Trade Center, Intersection of South Second Ring Road and Jinzhai Road, Shushan District, Hefei City | 21 February 2013 | RMB5 million | Zeng Fengsan (曾逢三) | 0551-62816558 |
| Guangxi Branch Office | Office rooms 2201 & 2205, Tower A, Nanhu Mingdu Plaza, 30 Shuangyong Road, Qingxiu District, Nanning City | 20 February 2013 | RMB5 million | Lin Guokui (林國奎) | 0771-5651966 |
| Xinjiang Branch Office | 6F, Tower A, Gongxiao Building, 314 Yangtze River Road, Shayibake District, Urumqi, Xinjiang | 4 March 2013 | RMB5 million | An Ding (安定) | 0991-2842212 |
| Beijing Branch Office | Room 202, Zhizhen Building, 7 Zhichun Road, Haidian District, Beijing City | 6 September 2000 | RMB10 million | Geng Xuling (耿旭令) | 010-82263588 |
| Shanghai Branch Office | Rooms 3A,12A,12C-I,13A-I, 369 Jiangsu Road | 15 August 2000 | RMB10 million | Zhao Hong (趙宏) | 021-52400388 |
| Shanghai FTZ Branch Office | 1503-A, B, C, D, E, F, G, H, 2 Maji Road, China (Shanghai) Pilot Free Trade Zone | 13 December 2013 | RMB5 million | Zhang Neng (張能) | 021-52400647 |
| Shenzhen Branch Office | 3401-3411, 3509, New World Business Center, Yitian Road West and Fuzhong Road North, Futian District, Shenzhen City | 21 July 2000 | RMB10 million | Wang Li (王黎) | 0755-23976765 |
| Sichuan Branch Office | Units 01, 02, 03, 04, 43/F, China Resources Building, 10 Shuangqing Road, Chengdu City, Sichuan Province | 31 July 2000 | RMB10 million | Guo Liping (郭麗萍) | 028-65775298 |
| Hubei Branch Office | 7/F, 73 Xudong Street, Hongshan District, Wuhan City | 9 August 2000 | RMB10 million | Hou Xiaopeng (侯霄鵬) | 027-87267558 |
| Tianjin Branch Office | Units 07-09, 42F, Surveying and Mapping Level, Jinta Office Building, Tianjin Worldwide Finance Center, No. 2 Dagu North Road, Xiaobailou Street, Heping District, Tianjin City | 30 June 2009 | RMB5 million | Gu Xin (顧鑫) | 022-27819829 |

Appendix II Basic Information of Branch Office

| Branch office | Address | Date of establishment | Registered capital (or working capital) | Person-in-charge | Contact number |
|------------------------------|---|-----------------------|---|-------------------------|----------------|
| Hebei Branch Office | 9/F, Tower A, Fangbei Building, No. 133, Yuhua East Road, Shijiazhuang City, Hebei Province | 2 July 2009 | RMB5 million | Li Jian (李建) | 0311-85662778 |
| Shanxi Branch Office | 12/F, Maisi Building, 8 Dongrong Street, Xuefu Industrial Park, Transformation Comprehensive Reform Demonstration Zone, Shanxi | 3 July 2009 | RMB5 million | Zhang Qingsong (張青松) | 0351-7023028 |
| Inner Mongolia Branch Office | Room 1701-1702, International Finance Building, 18 Xinhua East Street, Ruyi Industrial Park, Hohhot City, Inner Mongolia Autonomous Region | 30 June 2009 | RMB5 million | Xu Xihai (徐錫海) | 0471-5212939 |
| Liaoning Branch Office | 68 Shiyiwei Road, Heping District, Shenyang City | 1 July 2009 | RMB5 million | Wang Chunming (王春明) | 024-22821663 |
| Jilin Branch Office | Rooms 2506-2509, Huamao International Building, 4848 Renmin Street, Nanguan District, Changchun City | 30 June 2009 | RMB5 million | Fei Weifu (費維富) | 0431-84505678 |
| Heilongjiang Branch Office | 3/F Keji Building, 90 Xidazhi Street, Nangang District, Harbin City, Heilongjiang Province | 30 June 2009 | RMB5 million | Chi Jun (池浚) | 0451-86201260 |
| Jiangsu Branch Office | Room 401 & 502, 389 Taiping South Road, Qinhuai District, Nanjing City | 9 July 2009 | RMB5 million | Yao Guohai (姚國海) | 025-84575188 |
| Suzhou Branch Office | Room 2701, Building 2, Suzhou International Fortune Plaza, No. 9 West Suzhou Avenue, Suzhou Industrial Park, Suzhou Area of China (Jiangsu) Pilot Free Trade Zone | 9 December 2020 | RMB5 million | Liu Jiming (劉繼明) | 0512-69828186 |
| Zhejiang Branch Office | Rooms 1701, 1702, 1703, 1704-1, 1704-2, 17/F, Building 1, Hongshou Financial Center, 300 Xinye Road, Shangcheng District, Hangzhou City, Zhejiang Province | 30 June 2009 | RMB5 million | Lin Jian (林堅) | 0571-87560518 |
| Fujian Branch Office | 11/F, Export-Import Bank of China Building, 350 Jiangbin Central Boulevard, Taijiang District, Fuzhou City, Fujian Province | 2 July 2009 | RMB5 million | Chen Meixin (陳美心) | 0591-88325166 |

Appendix II Basic Information of Branch Office

| Branch office | Address | Date of establishment | Registered capital (or working capital) | Person-in-charge | Contact number |
|-------------------------|--|-----------------------|---|-------------------------|----------------|
| Jiangxi Branch Office | Rooms 3101-3106 & 3110-3113, 31/F, Cuilin Building, 1266 Fenghe Middle Avenue, Honggutan New District, Nanchang City, Jiangxi Province | 3 July 2009 | RMB5 million | Huang Quan (黃全) | 0791-86113053 |
| Shandong Branch Office | 5/F, Building 1, Long Ao Jin Zuo Office Building, No. 8000 Jingshi Road, Lixia District, Ji'nan City | 29 June 2009 | RMB5 million | Zhang Congxuan (張從宣) | 0531-68817977 |
| Henan Branch Office | 39 Jinshui East Road, Zhengdong New District, Zhengzhou City | 29 June 2009 | RMB5 million | Yu Ping (於萍) | 0371-65752727 |
| Hunan Branch Office | 4/F, 89 Wuyi Boulevard, Furong District, Changsha City, Hunan Province | 1 July 2009 | RMB5 million | Hu Lan (胡蘭) | 0731-84800639 |
| Hainan Branch Office | No. B2002, B2003, B2004, 20F, West Block of Office Building, Tower B, Lot S5, Haikuotiankong • Guorui Town, 11 Guoxing Avenue, Meilan District, Haikou City, Hainan Province | 30 June 2009 | RMB5 million | Fan Xiaojun (范曉軍) | 0898-68551022 |
| Guizhou Branch Office | 22/F, Tower 1-6, East Zone, Financial Business District, Area B, Zhongtian Exhibition, Changling North Road, Guanshanhu District, Guiyang City, Guizhou Province | 1 July 2009 | RMB5 million | Ma Hong (馬鴻) | 0851-85818223 |
| Yunnan Branch Office | Rooms 1706, 1707, 1708, 1709 and 1710, 17/F, Building 4, Qicaijunyuan, Baita Road, Panlong District, Kunming City, Yunnan Province | 30 June 2009 | RMB5 million | Xiao Bohao (肖波浩) | 0871-63105290 |
| Shaanxi Branch Office | Rooms 15303, 15304, 15305, 15306, 53/F, Tower B, Greenland Center, 11 Jinye Road, Gaoxin District, Xi'an City, Shaanxi Province | 2 July 2009 | RMB5 million | Hua Yuwei (華宇煒) | 029-88304600 |
| Gansu Branch Office | 215 Jiuquan Road, Chengguan District, Lanzhou City, Gansu Province | 30 June 2009 | RMB5 million | Lan Geru (蘭革儒) | 0931-8429499 |
| Guangdong Branch Office | Units 2502A, 2502B, 2506, 2602 and 2603, R&F Center, No. 10 Huaxia Road, Zhujiang Xincheng, Tianhe District, Guangzhou City | 29 June 2009 | RMB5 million | Zhang Wenzhou (張文洲) | 020-38817833 |

Appendix II Basic Information of Branch Office

| Branch office | Address | Date of establishment | Registered capital (or working capital) | Person-in-charge | Contact number |
|--------------------------------|---|-----------------------|---|----------------------|----------------|
| Chongqing Branch Office | 17-1/F, 3 Finance Street, Jiangbei District, Chongqing City | 30 June 2009 | RMB5 million | Chen Yaohua (陳耀華) | 023-63707386 |
| Shenzhen Qianhai Branch Office | Units 1501, 1502, 1506, 1507, 1508, 1509, 1510, 1511, 1512, Tower A, Office Building T5, Qianhai China Resources Financial Center, No. 5035 Menghai Avenue, Nanshan Subdistrict, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen City | 10 August 2022 | Nil | Gao Dawang (高大望) | 0755-82348864 |
| Hebei Xiongan Branch Office | Rooms 105 and 509, Building C, No. 507 Minglang North Street, Rongcheng County, Xiongan Area of China (Hebei) Pilot Free Trade Zone (Voluntary Declaration) | 28 July 2022 | Nil | Guo Jiang (郭江) | 0311-85662770 |

2. BRANCH OFFICE OF GUOTAI JUNAN FUTURES

| Branch office | Address | Date of establishment | Person-in-charge | Contact number |
|------------------------|--|-----------------------|----------------------|----------------|
| Zhejiang Branch Office | Room 3001-3, 30/F, Hangzhou Ping An Financial Center, No. 280 Minxin Road, Shangcheng District, Hangzhou City, Zhejiang Province | 3 July 2008 | Liang Bin (梁彬) | 0571-86807670 |
| Ningbo Branch Office | 15-2, 15-3, No. 51 Sanyanqiao Street, Ningzhu Plaza, Yinzhou District, Ningbo City, Zhejiang Province | 8 September 2008 | Fei Zhen (費振) | 0574-87916515 |
| Beijing Branch Office | Units 01, 07, 08, 25F, West Tower, B12 Jianguomenwai Street, Chaoyang District, Beijing | 27 August 2008 | Wang Yigang (王毅崗) | 010-58795755 |
| Shenzhen Branch Office | 2603, 2604, 2605, Gemdale Center, No. 2007 Shennan Boulevard, Gangxia Community, Futian Street, Futian District, Shenzhen City | 6 August 2010 | Shao Weimin (邵嵬敏) | 0755-83730216 |

Appendix II Basic Information of Branch Office

| Branch office | Address | Date of establishment | Person-in-charge | Contact number |
|-------------------------|--|-----------------------|-------------------------|----------------|
| Liaoning Branch Office | Rooms 1904&1905, Dalian Futures Building, Tower A, Dalian International Finance Center, 129 Huizhan Road, Shahekou District, Dalian City | 12 July 2011 | Wang Wei (王偉) | 0411-84807755 |
| Guangdong Branch Office | Rooms 2005&2006, No. 1 Linjiang Boulevard, Tianhe District, Guangzhou City | 22 September 2011 | Zhu Jianping (朱建平) | 020-38628010 |
| Jilin Branch Office | Room 2302 & 2303, Building 1, Chuanyu Hongtai International Global Trade Center Phase II, Jingyue Development Zone, Changchun City, Jilin Province | 6 April 2010 | Qin Zhiguo (秦志國) | 0431-85918811 |
| Henan Branch Office | Room 1105, Futures Building, 30 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City | 31 December 2014 | Zhang Wentian (張聞天) | 0371-65600697 |
| Jiangsu Branch Office | Room 3701 (14-16), 37th Floor, No. 347 Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province | 29 May 2015 | Cheng Chuanlei (程傳雷) | 025-87780990 |
| Qingdao Branch Office | Room 501, 5th Floor, Jiezheng Fortune Center, Building 11, No. 195 Xianggang East Road, Laoshan District, Qingdao City, Shandong Province | 17 September 2015 | Xu Yang (許陽) | 0532-80993639 |
| Hubei Branch Office | Office (5) at 40/F, Zheshang International Building, 718 Jianshe Avenue, Jiang'an District, Wuhan City | 2 September 2015 | Qiu Xia (邱夏) | 027-82886695 |
| Hebei Branch Office | Rooms 803 & 804, 8/F, Tower B, Fangbei Building, 133 Yuhua East Road, Yuhua District, Shijiazhuang City, Hebei Province | 21 May 2018 | Su Zhenqiao (蘇楨喬) | 0311-85360908 |
| Shaanxi Branch Office | Room 02, 16/F (18/F by Elevator), PICC (Shaanxi) Finance Building, 12 Gaoxin 3rd Road, High Tech District, Xi'an City, Shaanxi Province | 5 June 2018 | Luo Mingzhe (羅明哲) | 029-88220218 |
| Hunan Branch Office | Room 2401, Wanbohui Mingdi Phase III, No. 489 Shaoshan Middle Road, Yuhua District, Changsha City | 26 December 2018 | Zhu Qiyun (朱其運) | 0731-82258088 |
| Shandong Branch Office | Rooms 1107 & 1108, 975 Caoshanling South Road, Lixia District, Ji'nan City | 24 January 2019 | Guo Wenxiu (郭文秀) | 0531-81210188 |
| Xiamen Branch Office | 1508-1509, Block B, China Resources Building, No. 95 Hubin East Road, Siming District, Xiamen | 27 September 2019 | Fu Zuoren (傅作仁) | 0592-5886155 |

Appendix III Establishment and Disposal of Branches

1. THE COMPANY

1) Newly-established branch offices and securities branches:

| No. | Names of newly-established branches | Locations of newly-established branches | Permit issuing date |
|-----|---|---|---------------------|
| 1 | Shenzhen Qianhai Branch Office | Units 1501, 1502, 1506, 1507, 1508, 1509, 1510, 1511, 1512, Tower A, Office Building T5, Qianhai China Resources Financial Center, No. 5035 Menghai Avenue, Nanshan Subdistrict, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen City | 18 August 2022 |
| 2 | Hebei Xiongan Branch Office | Rooms 105 and 509, Building C, No. 507 Minglang North Street, Rongcheng County, Xiongan Area of China (Hebei) Pilot Free Trade Zone (Voluntary Declaration) | 23 August 2022 |
| 3 | Hefei Chuangxin Avenue Securities Branch | Rooms 2003 and 2004, Block C, Huijing Center, Southeast of the Intersection of Chuangxin Avenue and Wangjiang West Road, High-tech Zone, Hefei City, Anhui Province | 20 June 2022 |
| 4 | Huoerguosi Kaiyuan Road Securities Branch | Rooms 205 and 206, Building 4, Innovation and Entrepreneurship Technology Incubation Base, No. 2, Kaiyuan Road, Bingtuan Division of Economic Development Zone, Khorgos City, Ili Kazakh Autonomous Prefecture, Xinjiang | 2 November 2022 |

Appendix III Establishment and Disposal of Branches

2) Relocated branch offices and securities branches:

| No. | Names of branches before relocation | Names of branches after relocation | Locations of branches after relocation |
|-----|--|--|---|
| 1 | Zhejiang Branch Office | Zhejiang Branch Office | Rooms 1701, 1702, 1703, 1704-1, 1704-2, 17/F, Building 1, Hongshou Financial Center, 300 Xinye Road, Shangcheng District, Hangzhou City, Zhejiang Province |
| 2 | Suzhou Branch Office | Suzhou Branch Office | Room 2701, Building 2, Suzhou International Fortune Plaza, No. 9 Suzhou Avenue West, Suzhou Industrial Park, Suzhou Area of China (Jiangsu) Pilot Free Trade Zone |
| 3 | Shaanxi Branch Office | Shaanxi Branch Office | Rooms 15303, 15304, 15305, 15306, 53/F, Tower B, Greenland Center, 11 Jinye Road, Gaoxin District, Xi'an City, Shaanxi Province |
| 4 | Xingyi Ruijin Avenue Securities Branch | Xingyi Ruijin Avenue Securities Branch | 1F, No. 60 Ruijin South Road, Ruijin Avenue, Jushan Subdistrict, Xingyi City, Qianxinan Prefecture, Guizhou Province |
| 5 | Haikou Longkun South Road Securities Branch | Haikou Guoxing Securities Branch | Building D, Shengda Jingdu, No. 8 Meiyuan Road, Meilan District, Haikou City, Hainan Province |
| 6 | Shenzhen Hongli West Road Securities Branch | Shenzhen Hongli West Road Securities Branch | Unit 10ABCDEFGHJK, Building B, Zhongtou International Business Center, Intersection of Xiangmei Road and Hongli West Road, Xiangmi Community, Xiangmihu Subdistrict, Futian District, Shenzhen City |
| 7 | Beijing Zhongguancun Securities Branch | Beijing Zhongguancun Securities Branch | 107, 1F & 302, 3F, No. 8 Haidian North Second Street, Haidian District, Beijing City |
| 8 | Changle Chaoyang Middle Road Securities Branch | Fuzhou Changle District Hexie Road Securities Branch | 117 and 118 (Commercial) & 309 (Office), Building 2 and 2a, Zhengyuan City Square, No. 59 Hexie Road, Shouzhan Town, Changle District, Fuzhou City, Fujian Province |

Appendix III Establishment and Disposal of Branches

| No. | Names of branches before relocation | Names of branches after relocation | Locations of branches after relocation |
|------------|--|--|---|
| 9 | Chenzhou Guoqing North Road Securities Branch | Chenzhou Guoqing North Road Securities Branch | 6F, Office Building of Beihu Sub-branch of ICBC Chenzhou Branch, No. 3 Guoqing North Road, Renmin Road Subdistrict, Beihu District, Chenzhou City, Hunan Province |
| 10 | Ningbo Caihong North Road Securities Branch | Ningbo Guangfu Street Securities Branch | Unit 1-1 of Building 12, Unit 21-5, 21-6, 21-7 and 21-8 of Building 5, Ningbo New World Plaza, Yinzhou District, Ningbo City, Zhejiang Province (No. 46 Sanyanqiao Street) |
| 11 | Shenzhen Fuhua Third Road Securities Branch | Shenzhen Fuhua Third Road Securities Branch | 1301, 1302, 1312-A, 1313 and 1315, International Chamber of Commerce Building, No.168 Fuhua Third Road, Fu'an Community, Futian Subdistrict, Futian District, Shenzhen City |
| 12 | Jinjiang Changxing Road Securities Branch | Jinjiang Shiji Avenue Securities Branch | Unit 03, 05 and 06, 15F, Building D, Baolong Center, No. 520 Shiji Avenue, Qingyang Subdistrict, Jinjiang, Quanzhou City, Fujian Province |
| 13 | Cangzhou Cang County Jiaotong North Avenue Securities Branch | Cangzhou Jiefang West Road Securities Branch | Room 101 and 104, 1F, Huashang International Building, Jiefang West Road, Yunhe District, Cangzhou City, Hebei Province |
| 14 | Guangzhou Dongfeng Middle Road Securities Branch | Guangzhou Dongfeng Middle Road Securities Branch | Unit 2 (self-made number), Room 2201, No. 362 Dongfeng Middle Road, Yuexiu District, Guangzhou City |
| 15 | Hangzhou Wuxing Road Securities Branch | Hangzhou Xinye Road Securities Branch | Room 702, 7/F, Building 1, Hongshou Financial Center, No. 300 Xinye Road, Sijiqing Street, Shangcheng District, Hangzhou City, Zhejiang Province |
| 16 | Zhongshan Zhongshan Third Road Securities Branch | Zhongshan Zhongshan Third Road Securities Branch | No. 1, 2, 5, 6, 7, First Floor, Xinlongji Building, No. 30 Zhongshan Third Road, East District, Zhongshan City |
| 17 | Guangzhou Shanxiang Road Securities Branch | Guangzhou Kaichuang Avenue Securities Branch | Room 1301-1, No. 2403 Kaichuang Avenue, Huangpu District, Guangzhou City |

Appendix III Establishment and Disposal of Branches

| No. | Names of branches before relocation | Names of branches after relocation | Locations of branches after relocation |
|-----|---|--|--|
| 18 | Ji'an Jinggangshan Avenue Securities Branch | Ji'an Jizhou Avenue Securities Branch | Room 1904-1911, 19/F, Block A, Jinghong Impression City, No.40 Jizhou Avenue, Jizhou District, Ji'an City, Jiangxi Province |
| 19 | Chaozhou Lvrong Road Securities Branch | Chaozhou Chaozhou Avenue Securities Branch | South Section (No. 1 on the first floor) of Chaozhou Avenue, Chaozhou City, Guangdong Province |
| 20 | Shenzhen Meilin Road Securities Branch | Shenzhen Meilin Road Securities Branch | B1706A, Injoy, Zhuoyue Meilin Center Plaza (South Area), No.126 Zhongkang Road, Meidu Community, Meilin Street, Futian District, Shenzhen City |
| 21 | Nanning Minzu Avenue Securities Branch | Nanning Minzu Avenue Securities Branch | Room 03-05, 33/F, Office Building East, Nanning China Resources Center, No. 136-1 Minzu Avenue, Qingxiu District, Nanning City |

3) Deregistered securities branches:

| No. | Names of securities branches |
|-----|--|
| 1 | Chongqing Jinyu Road Securities Branch |
| 2 | Shenzhen Keyuan South Road Securities Branch |

2. GUOTAI JUNAN FUTURES

1) Newly-established branch offices and securities branches:

| No. | Names of newly-established branches | Locations of newly-established branches | Permit issuing date |
|-----|--|--|---------------------|
| 1 | Shenzhen Yitian Road Securities Branch | 1502, New World Centre, No. 6009 Yitian Road, Lianhua Street, Futian District, Shenzhen City, Guangdong Province | 29 November 2022 |
| 2 | Hangzhou Securities Branch | Room 2701-6&2701-7, Building 3, Haiwei Business Center, Xixing Street, Binjiang District, Hangzhou City, Zhejiang Province | 5 January 2023 |

Appendix III Establishment and Disposal of Branches

2) Relocated branch offices and securities branches:

| No. | Names of branches before relocation | Names of branches after relocation | Locations of branches after relocation |
|-----|-------------------------------------|------------------------------------|---|
| 1 | Zhejiang Branch Office | Zhejiang Branch Office | Room 3001-3, 30/F, Hangzhou Ping An Financial Center, No. 280 Minxin Road, Shangcheng District, Hangzhou City, Zhejiang Province |
| 2 | Ningbo Branch Office | Ningbo Branch Office | 15-2, 15-3, No. 51 Sanyanqiao Street, Ningzhu Plaza, Yinzhou District, Ningbo City, Zhejiang Province |
| 3 | Beijing Branch Office | Beijing Branch Office | Units 01, 07, 08, 25F, West Tower, B12 Jianguomenwai Street, Chaoyang District, Beijing |
| 4 | Shenzhen Branch Office | Shenzhen Branch Office | 2603, 2604, 2605, Gemdale Center, No. 2007 Shennan Boulevard, Gangxia Community, Futian Street, Futian District, Shenzhen City |
| 5 | Guangdong Branch Office | Guangdong Branch Office | Rooms 2005&2006, No. 1 Linjiang Boulevard, Tianhe District, Guangzhou City |
| 6 | Tianjin Securities Branch | Tianjin Securities Branch | No. 01 and 03, 15/F, Tianjin International Finance Center Building, No. 136 Chifeng Road, Quanyechang Street, Heping District, Tianjin City |

Stock Code: 02611 Stock Name: GTJA

