



海通证券股份有限公司  
HAITONG SECURITIES CO., LTD.\*

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

Stock Code: 6837



2018  
Annual Report

*\*For identification purpose only*

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## IMPORTANT NOTICE

The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of contents of this annual report (the “Report”) and that there is no false representation, misleading statement contained herein or material omission from this Report, for which they will assume joint and several liabilities.

This Report was considered and approved at the 36th meeting of the sixth session of the Board. Mr. Qu Qiuping, an executive Director, and Mr. Zhang Ming and Mr. Feng Lun, independent non-executive Directors were unable to attend the Board meeting in person due to business trips, and had appointed Mr. Zhou Jie, an executive Director, and Mr. Xiao Suining, an independent non-executive Director, to vote on their behalves respectively.

None of the Directors or Supervisors has made any objection to this Report.

BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) and Deloitte Touche Tohmatsu (Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)) have audited the annual financial reports of the Company prepared in accordance with PRC GAAP and IFRS respectively, and each issued a standard and unqualified audit report of the Company. All financial data in this Report are denominated in RMB unless otherwise indicated.

Mr. Zhou Jie, the Chairman of the Company, Mr. Zhang Xinjun, the Chief Financial Officer, and Mr. Ma Zhong, the head of the accounting department warrant the truthfulness, accuracy and completeness of the financial report contained in this Report.

The Board considered the profit distribution proposal or proposal on transfer of capital reserve funds into share capital for the Reporting Period, which are as follows:

On the basis of the total share capital of 11,501,700,000 A Shares and H Shares as at 31 December 2018, a cash dividend of RMB1.50 for every 10 shares (inclusive of tax) will be distributed to holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date, with a total amount of cash dividend of RMB1,725,255,000.00. The retained profits of the Company of RMB19,993,726,924.22 following the cash dividend distribution will be carried forward to the next year.

Forward-looking statements, including future plans and development strategies, may be included in this report. All statements contained herein other than statements of historical fact are, or may be deemed to be, forward-looking statements. Neither the Company nor any of its subsidiaries undertakes any obligation to publicly update or revise any forward-looking statement as a result of new data. Investors should be reminded of the risks of investments and not place undue reliance on forward-looking statements.

No appropriation of funds on a non-operating basis by the Company’s controlling shareholders or their respective related parties has occurred during the Reporting Period.

The Company did not provide external guarantees in violation of the stipulated decision-making procedures during the Reporting Period.



## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

### I. DEFINITIONS

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

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed and traded on the Shanghai Stock Exchange
“ABS”	Asset-backed Securities
“Articles of Association” or “Articles”	the articles of association of Haitong Securities
“Board”	the board of Directors of Haitong Securities
“China” or “PRC”	the People’s Republic of China, and for the purposes of this Report only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules
“Company Law”	the Company Law of the People’s Republic of China
“Company” or “Haitong Securities”	Haitong Securities Co., Ltd.
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of Haitong Securities
“ETF”	exchange traded fund
“EUR”	the official currency of the Eurozone
“Fortune HFT”	Shanghai Fortune HFT Asset Management Co., Ltd. (上海富誠海富通資產管理有限公司)
“Fullgoal Fund”	Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)
“Group”	the Company and its subsidiaries
“Gui’an UT”	Gui’an UT Financial Leasing (Shanghai) Co., Ltd. (貴安恆信融資租賃(上海)有限公司)

## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

“H Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
“Haitong Bank”	Haitong Bank, S.A
“Haitong Capital”	Haitong Capital Investment Co., Ltd. (海通開元投資有限公司)
“Haitong Futures”	Haitong Futures Co., Ltd. (海通期貨股份有限公司)
“Haitong Innovation Securities”	Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司)
“Haitong International Holdings”	Haitong International Holdings Limited (海通國際控股有限公司)
“Haitong International Securities”	Haitong International Securities Group Limited (海通國際證券集團有限公司), listed on the Hong Kong Stock Exchange, stock code: 665
“Haitong Resource”	Shanghai Haitong Resource Management Co., Ltd. (上海海通資源管理有限公司)
“Haitong UniFortune”	Haitong UniFortune International Leasing Co., Ltd. (海通恆運國際租賃有限公司)
“Haitong UniTrust Financial Leasing (Shanghai)”	Haitong UniTrust Financial Leasing (Shanghai) Corporation (海通恆信融資租賃(上海)有限公司)
“Haitong UT Capital”	Haitong UT Capital Group Co., Limited (海通恆信金融集團有限公司)
“Haitong UT Holdings”	Haitong UT Holdings Limited (海通恆信融資租賃控股有限公司)
“Haitong UT”	Haitong UniTrust International Leasing Co., Ltd. (海通恆信國際租賃股份有限公司)
“Haitong Xinchuang”	Haitong Xinchuang Investment Management Co., Ltd. (海通新創投資管理有限公司)
“Haitong-Fortis PE”	Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司)
“HFT Investment”	HFT Investment Management Co., Ltd. (海富通基金管理有限公司)
“HK\$”, “HKD” or “HK dollars”	the lawful currency of Hong Kong



## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HT Asset Management”	Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司)
“IFRS”	International Financial Reporting Standards
“IPO”	initial public offering
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“NSSF”	the National Council for Social Security Fund of the PRC
“PPP”	public-private partnership
“QDII”	Qualified Domestic Institutional Investor
“QFII”	Qualified Foreign Institutional Investor
“Reporting Period”	from 1 January 2018 to 31 December 2018
“RMB” or “Renminbi”	the lawful currency of the PRC
“RQFII”	Renminbi Qualified Foreign Institutional Investor
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Weitai Properties”	Shanghai Weitai Properties Management Co., Ltd. (上海惟泰置業管理有限公司)
“SSE”	the Shanghai Stock Exchange
“Supervisor(s)”	the supervisor(s) of Haitong Securities

## SECTION I DEFINITIONS AND MATERIAL RISK WARNINGS

“Supervisory Committee”	the supervisory committee of Haitong Securities
“SZSE”	the Shenzhen Stock Exchange
“US\$”, “USD” or “U.S. dollars”	the lawful currency of the United States of America
“WIND”	Wind Information Co., Ltd.
“WOFE”	Wholly Owned Foreign Enterprises

### II. MATERIAL RISK WARNINGS

The business of the Group is highly dependent on the overall economic and market conditions in jurisdictions where it operates. Our results of operations may be materially affected by various factors, such as macro-economic environment, cyclical fluctuations of the industry, development stages of the market, behaviours of the investors and the international economic conditions.

The Group is exposed to various risks in its business operations, primarily including (i) policy risks, whereby the operations of securities firms in general may be subject to material adverse effect caused by national macro-control measures, and changes of laws, regulations, regulatory policies or trading rules applicable to securities industry; (ii) international operations risks, whereby its businesses operations in foreign countries may be affected by changes in economic, political and social conditions in such countries or regions; (iii) compliance risks, whereby the securities firms may be subject to legal punishment or regulatory penalties or may incur significant financial losses due to failure to comply with laws, regulations, regulatory requirements, rules, relevant standards made by the self-regulatory organisations or code of conducts applicable to the securities firms; (iv) risks associated with money laundering, whereby the Group may be subject to regulatory penalties due to failure to fully comply with applicable laws, regulations and regulatory requirements on anti money-laundering and counter-terrorism; (v) credit risks, which may result in losses to the operations due to the inability of a borrower, counterparty or debt issuer to meet its agreed financial obligations; (vi) market risks, where proprietary investments record losses due to adverse fluctuations of market prices (such as the stock price, interest rate, or exchange rate); (vii) operational risks triggered by deficiencies in internal processes, operational error and misconduct of staff, IT system failures, or impact from external sources; (viii) liquidity risks, where the Group is unable to obtain sufficient funds in a timely manner at a reasonable cost to repay the due debts, fulfil other payment obligations and meet the capital requirements for carrying out normal business; and (ix) reputational risks, where the corporate image among stakeholders is damaged due to the Group’s operations, management, other acts or the external incidents. All these risks may directly affect the results of operations and financial conditions of the Group. In addition, these effects may overlap with each other due to the certain inherent correlation among these risk factors.

For the specific analysis of the abovementioned risks and measures that the Group has taken or will take, please refer to “Potential Risks and Prevention Measures” in section IV “Report of the Board of Directors” of this Report, and pay special attention to the above risk factors.



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### I. CORPORATE INFORMATION

Chinese name of the Company	海通證券股份有限公司
Chinese abbreviation of the Company	海通證券
English name of the Company	Haitong Securities Co., Ltd.
English abbreviation of the Company	Haitong Securities
Legal representative of the Company	Zhou Jie
General manager of the Company	Qu Qiuping
Authorised representatives of the Company	Zhou Jie, Jiang Chengjun
Joint company secretaries	Jiang Chengjun, Wong Wai Ling
Chief compliance officer	Wang Jianye

#### Registered Capital and Net Capital of the Company

Unit: Yuan Currency: RMB

	As at the end of this Reporting Period	As at the end of last year
Registered capital	11,501,700,000.00	11,501,700,000.00
Net capital	71,377,006,860.38	75,292,211,294.80

#### Business scope of the Company

Securities brokerage; securities proprietary trading; securities underwriting and sponsorship; securities investment consulting; financial advisory services relating to securities trading and investment activities; direct investment; securities investment fund consignment; provision of intermediary introduction business for the futures companies; margin financing and securities lending; agency sale of financial products; the stock options market making; other businesses approved by the CSRC. In addition, the Company is permitted to establish subsidiaries that are engaged in outbound investments including investments in financial products. (Projects subject to approval as required by laws shall be conducted upon approvals by relevant authorities)

#### Qualification for each individual business of the Company

1. Online securities entrustment business qualification (Zheng Jian Xin Xi Zi [2001] No. 3)
2. Qualification for lending and purchase of bonds, bond transactions and bond repurchase business in the national inter-bank lending market and the bond market (Yin Ban Han [2001] No. 819)
3. Qualification for lending transactions and bond transactions in the national inter-bank lending center (Zhong Hui Jiao Fa [2001] No. 306)
4. Qualification for acquisition of securities business departments (Hu Zheng Ji Bian [2002] No. 090)
5. Qualification for open-end securities investment fund consignment business (Zheng Jian Ji Jin [2002] No. 076)
6. Securities company engaged in relevant innovative activity trials (Zhong Zheng Xie Han [2005] No. 079)
7. Qualification for short-term financial bond underwriting business (Yin Fa [2005] No. 173)
8. Qualification for quotation transfer business (Zhong Zheng Xie Han [2006] No. 3)



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

9. Qualification for trading on integrated electronic platform of fixed-income securities at Shanghai Stock Exchange (Shang Zheng Hui Han [2007] No. 86)
10. Qualification for National Association of Financial Market Institutional Investors (August 2007)
11. Qualification for overseas securities investment management business as a qualified domestic institutional investor (Zheng Jian Xu Ke [2008] No. 146)
12. A-grade clearing participant qualification of China Securities Depository and Clearing Corporation Limited (Zhong Guo Jie Suan Han Zi [2008] No. 22)
13. Qualification for provision of intermediary introduction business for the futures companies (Hu Zheng Jian Ji Gou Zi [2010] No. 122)
14. Qualification for direct investment business trials (Ji Gou Bu Bu Han [2008] No. 421)
15. Qualification for implementation of the broker system (Hu Zheng Jian Ji Gou Zi [2009] No. 302)
16. Qualification for providing trading units for insurance agency investors (Bao Jian Zi Jin Shen Zheng [2009] No. 1)
17. Qualification for margin financing and securities lending business (Zheng Jian Xu Ke [2010] No. 315)
18. Qualification for engaging in stock index futures hedging business through proprietary trading of the company (Hu Zheng Jian Ji Gou Zi [2010] No. 372)
19. Qualification for securities house assigned by NSSF (August 2011)
20. Qualification for fund evaluation business (Zhong Zheng Xie Fa [2010] No. 070)
21. Qualification for engaging of stock index futures through asset management (Hu Zheng Jian Ji Gou Zi [2011] No. 237)
22. Stock repurchase transaction business trials (Ji Gou Bu Bu Han [2011] No. 512) (Shang Zheng Jiao Zi[2011] No. 37)
23. Qualification for issuance of overseas listed foreign shares (Zheng Jian Xu Ke [2011] No. 1821) (H Share)
24. Trial business of bond collateralised repurchase with quotes (Ji Gou Bu Bu Han [2011] No. 585)
25. Partnership independent custody business trials (Ji Gou Bu Bu Han [2012] No. 686)
26. Over-the-counter transaction business (Zhong Zheng Xie Han [2012] No. 825)
27. Pilot qualification of engaging in margin and securities refinancing business (Zhong Zheng Jin Han [2012] No. 113)
28. Pilot qualification of underwriting of private debts for SMEs (Zhong Zheng Xie Han [2012] No.561)
29. Qualification for foreign exchange operation in the securities business (SC201307)
30. Qualification for issuance of short-term financing bonds (Ji Gou Bu Bu Han [2013] No. 407) (Department of Fund and Intermediary Supervision Han [2014] No. 1551)
31. Qualification for agency sale of financial products (Hu Zheng Jian Ji Gou Zi [2013] No.180)
32. Pilot qualification of conducting capital consumption payment services for client securities (Ji Gou Bu Bu Han [2013] No. 741)
33. Qualification of the 11th batch of insurance agency for 2013 (Hu Bao Jian Xu Ke [2013] No.204)
34. Qualification for agency distributing precious metal spot contract such as gold and proprietary trading for gold spot contract (Ji Gou Bu Bu Han [2013] No. 959)
35. Custody qualification of security investment funds (Zheng Jian Xu Ke [2013] No. 1643)
36. Qualification for agency business of securities pledge registration (February 2014)



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

37. Internet securities business trials (Zhong Zheng Xie Han [2014] No. 358)
38. Membership qualification on the gold exchange (Certificate No. T004)
39. Pilot issuance of short-term corporate bonds by securities companies (Shang Zheng Duan Zhai [2014] No. 4)
40. Business pilot of financing-oriented option exercise with respect to share incentive schemes of listed companies (Shenzhen Han [2014] No. 321)
41. Qualification for the stock options market making business (Zheng Jian Xu Ke [2015] No. 153)
42. Principal market maker in SSE 50 ETF options contracts (Shang Zheng Han [2015] No. 214)
43. Business qualification for options settlement (Zhong Guo Jie Suan Han Zi [2015] No. 20)
44. Futures membership certificate (Certificate number: NO. G02008)
45. Qualification for offshore proprietary business (Ji Gou Bu Han [2015] No. 1204)
46. No comment letter on innovative program of one-way video account opening (Zhong Guo Jie Suan Ban Zi [2015] No. 461)
47. Qualification for inter-bank gold price asking transactions (Shang Jin Jiao Fa [2015] No. 120)
48. Qualification for carrying on main underwriting business of debt financial instruments for non-financial enterprises (August 2016)
49. Qualification for note dealing (Yin Ban Fa [2016] No. 224)
50. Qualification for relevant business on tools mitigating credit risk (January 2017)
51. Qualification for secondary dealers for OTC options business (Zhong Zheng Xie Fa [2018] No. 160)
52. Registration of Haitong International (UK) Limited as the UK Cross-border Transfer Institution of Shanghai-London Stock Connect GDR (Shang Zheng Han (2018) No.1474)
53. Qualification for credit derivatives business (Ji Gou Bu Han (2019) No. 469)

The Company holds membership qualification on the SSE and the SZSE and warrant clearing business qualification in China Securities Depository and Clearing Corporation Limited. All subsidiaries of the Company conduct their businesses legally or upon obtaining the relevant business qualifications as approved by the relevant regulatory authorities.

## II. CONTACT PERSONS AND CONTACT METHODS

	<b>Secretary to the Board</b>	<b>Representative of Securities Affairs</b>
Name	Jiang Chengjun	Sun Tao
Correspondence address	12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)	12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC (Postal Code: 200001)
Telephone	8621-23219000	8621-23219000
Facsimile	8621-63410627	8621-63410627
Email	jiangcj@htsec.com	sunt@htsec.com

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### III. BASIC CORPORATE INFORMATION

Registered address	No. 689 Guangdong Road, Shanghai, PRC
Postal code of registered address	200001
Business address	No. 689 Guangdong Road, Shanghai, PRC
Postal code of business address	200001
Internet website	<a href="http://www.htsec.com">http://www.htsec.com</a>
Email	haitong@htsec.com
Principal place of business in Hong Kong	21/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
Unified social credit code in the business license	9131000013220921X6

### IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times
Website designated by the CSRC for publication of annual reports	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Website designated by the Hong Kong Stock Exchange for publication of annual reports	<a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place where annual reports of the Company are available	Office of the Board, 12/F, Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC
Search index for changes in registration during the Reporting Period	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>

### V. BRIEF INFORMATION ON THE SHARES OF THE COMPANY

Class of shares	Stock exchange of listing	Stock name	Stock code	Stock name before changes	Share Registrar
A Share	Shanghai Stock Exchange	Haitong Securities	600837 /		Shanghai Branch of China Securities Depository and Clearing Corporation Limited
H Share	Hong Kong Stock Exchange	HAITONG SEC	6837 /		Computershare Hong Kong Investor Services Limited



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### VI. OTHER INFORMATION OF THE COMPANY

#### (I) History of the Company primarily including reorganisation, capital increase in previous years

Haitong Securities is a subsisting company upon the significant assets disposal of Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) (the "SUABC"), a company listed on the SSE, and its merger with Haitong Securities. On 6 July 2007, the subsisting company was registered with Shanghai Administration for Industry & Commerce. Following the merger, the former Haitong Securities was deregistered in accordance with laws and the subsisting company was renamed as Haitong Securities.

History of Haitong Securities:

Haitong Securities was established under the name of Shanghai Haitong Securities Company (上海海通證券公司) with a registered capital of RMB10 million in Shanghai in 1988, and its substantial shareholder was Bank of Communications, Shanghai Branch. Its business scope mainly included distribution and issuance of negotiable securities on behalf of clients. It was also engaged in securities advisory, custody, transfer and principal and interest repayment of a variety of negotiable securities, securities investment business on behalf of clients and other relevant businesses approved by the People's Bank of China.

Upon approval by the People's Bank of China with the Reply concerning Conversion of Shanghai Haitong Securities Company (上海海通證券公司) (Yin Fu [1994] No. 5), on 27 September 1994, Shanghai Haitong Securities Company (上海海通證券公司) was converted into a limited liability Company and was renamed as Haitong Securities Company Limited (海通證券有限公司) with a registered capital of RMB1,000 million. Its scope of business was changed into issuance of securities and principal and interest repayment for securities on behalf of clients; proprietary trading and trading of securities on behalf of clients; securities custody and authentication business; receipt of principal, interest and dividends of securities on behalf of clients, and registration, transfer and clearing of securities; securities investment consultation and investment fund business; and other businesses approved by the People's Bank of China.

Upon approval by the CSRC with the Reply concerning Approval of the Share Increase Plan and the Application for being a Comprehensive Securities Company of Haitong Securities Company Limited (海通證券有限公司) (Zheng Jian Ji Gou Zi [2000] No. 296), on 29 December 2000, Haitong Securities Company Limited (海通證券有限公司) completed capital increase with its registered share capital increased to RMB3,746,928,000. Its scope of business was issuance of securities on behalf of clients; proprietary trading and trading of securities on behalf of clients; principal and interest repayment for securities on behalf of clients; securities custody and authentication business; receipt of principal, interest and dividends of securities on behalf of clients, and registration, transfer and clearing of securities on consignment; securities investment consultation; and securities investment fund business.

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

Upon approval by the CSRC with the Reply concerning the Overall Change of Haitong Securities Company Limited (海通證券有限公司) into a Joint-stock Limited Liability Company (Zheng Jian Ji Gou Zi [2001] No. 278), on 28 January 2002, Haitong Securities Company Limited (海通證券有限公司) was converted into a joint-stock limited liability company and was renamed as "Haitong Securities Co., Ltd. (海通證券股份有限公司)" with a registered share capital of RMB4,006,093,000.

Upon approval by the CSRC with the Reply concerning Approval of Share Increase of Haitong Securities Co., Ltd. (海通證券股份有限公司) (Zheng Jian Ji Gou Zi [2002] No. 329), on 1 November 2002, the registered share capital of Haitong Securities was increased to RMB8,734,438,870. Its scope of business was changed into: trading of securities (including domestically listed foreign shares) on behalf of clients, principal and interest repayment and dividends payment for securities on behalf of clients, securities custodial services, authentication of share certificates, account opening and registration on behalf of clients, securities proprietary trading business, securities (including domestically listed foreign shares) underwriting (including acting as a lead underwriter), securities investment advisory (including financial advisory), entrusted investment management and other businesses approved by the CSRC.

In May 2005, the Company was qualified as one of the pilot innovative securities companies.

Upon approval of the CSRC with the Zheng Jian Gong Si Zi [2007] No. 90 document, on 7 June 2007, SUABC disposed all its assets and liabilities to Bright Food (Group) Co., Ltd. (a controlling shareholder of the Company) and merged with the former Haitong Securities through the reverse takeover. Following completion of the reverse takeover, the subsisting company was renamed as Haitong Securities Co., Ltd. (海通證券股份有限公司) and carried on all businesses of the former Haitong Securities, taking over the employees, assets and liabilities of the former Haitong Securities. On 29 June 2007, registration of the new shares in Shanghai Branch of China Securities Depository and Clearing Corporation Limited was completed. On 6 July 2007, the subsisting company filed relevant changes with Shanghai Administration for Industry & Commerce with its registered share capital changed to RMB3,389,272,910.

On 31 July 2007, Haitong Securities was listed on the SSE.

Upon approval of the CSRC with the Circular on Approval of Nonpublic Share Issue of Haitong Securities Co., Ltd. (海通證券股份有限公司) (Zheng Jian Fa Xing Zi [2007] No. 368), the Company completed non-public offering on 21 November 2007 and its registered share capital and paid-in capital was changed from RMB3,389,272,910 into RMB4,113,910,590.



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

On 5 May 2008, the Company held the 2007 annual general meeting and passed the Proposal on Profit Distribution of the Company for 2007. Cash dividends of RMB1.00 (inclusive of tax) and stock dividends of 3 shares (inclusive of tax) per 10 shares were distributed to all shareholders on the basis of a total share capital of 4,113,910,590 shares as at 31 December 2007 and 7 shares per 10 shares were transferred from capital reserve funds to all shareholders. Following the distribution of stock dividends and the transfer of capital reserve funds into capital, the Company's total share capital was changed from 4,113,910,590 shares to 8,227,821,180 shares. Implementation of the distribution proposal was completed on 28 May 2008.

On 27 April 2012, an aggregate of 1,352,340,000 (H Shares) comprising 1,229,400,000 overseas listed foreign shares (H shares) issued by the Company and 122,940,000 H Shares transferred to the NSSF by the relevant 25 state-owned shareholders of the Company for the purpose of reduction of state-owned shares and converted into overseas listed foreign shares were listed and commenced trading on the main board of the Hong Kong Stock Exchange. On 19 May 2012, joint global coordinators for the Company's IPO of H Shares partially exercised the over-allotment option and the Company issued 127,500,000 additional H Shares, which were subsequently listed and traded on the main board of the Hong Kong Stock Exchange on 22 May 2012. The relevant state-owned shareholders of the Company undertook a similar reduction of state-owned shares and transferred 12,750,000 domestic shares (A Shares) of the Company held by them in the aggregate (equivalent to 10% of the number of H Shares issued additionally pursuant to the partial exercise of the over-allotment option) to the NSSF in the form of H shares.

On 9 February 2015, the Company convened the first extraordinary general meeting of 2015, the first A share class meeting of 2015 and the first H share class meeting of 2015, at which the Proposal on Issue of New H Shares by the Company was considered and approved. In May 2015, the Company received the Reply of Approving Additional Issue of Overseas Listed Foreign Shares by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 811) issued by the CSRC, pursuant to which the Company was allowed to issue up to 1,916,978,820 overseas listed foreign shares with a nominal value of RMB1.00 each (all being ordinary shares). On 8 May 2015, the Company has obtained the approval for listing of, and permission to deal in, the new H Shares from the Hong Kong Stock Exchange. The Company completed the issuance of 1,916,978,820 new H Shares on 29 May 2015, among which completion in relation to 1,048,141,220 new H Shares took place on 15 May 2015 while completion in relation to 868,837,600 new H Shares took place on 29 May 2015.

Following the completion of the issuance of new H Shares by the Company, the total number of shares of the Company was 11,501,700,000, among which 8,092,131,180 were A Shares and 3,409,568,820 were H Shares. The abbreviation of H Shares is: "海通證券" (in Chinese) and "HAITONG SEC" (in English) and the stock code of H Shares is "6837".

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (II) Organisational Structure of the Company

The Company operates in accordance with the relevant laws and regulations including the PRC Company Law, the PRC Securities Law and Guidance for the Internal Control of Securities Companies and the requirements of the Articles of Association. Scientific and standard corporate governance has been established, and the authorities and duties of its general meeting, the Board, the Supervisory Committee and senior management are clear. Meanwhile, the Company has also established an organisational framework and an operational mechanism in conformity with its development requirements.

#### 1. *Organisational structure of the Company (see Appendix I of this Report)*

#### 2. *Principal subsidiaries and joint-stock companies of the Company*

##### (1) *HFT Investment Management Co., Ltd.*

Registered address: 36-37/F, BEA Finance Tower, No. 66 Huayuan Shiqiao Road, Pudong New Area, Shanghai

Establishment date: 18 April 2003

Registered capital: RMB300 million

Shareholding percentage: 51%

Legal representative: Zhang Wenwei

Tel: 021-38650999

Scope of business: Fund raising, fund sales, asset management and other businesses permitted by the CSRC. (Businesses that require administrative licenses should be conducted based on relevant licenses obtained)

##### (2) *Fullgoal Fund Management Co., Ltd.*

Registered address: Level 16-17, International Financial Centre Tower 2, No. 8 Century Avenue, China (Shanghai) Free Trade Pilot Zone

Establishment date: 13 April 1999

Registered capital: RMB520 million

Shareholding percentage: 27.775%

Legal representative: Xue Aidong

Tel: 021-20361818

Scope of business: Publicly raised securities investment fund management, fund sales, asset management for specific customers. (Projects subject to approval as required by law shall be conducted upon the approval by relevant authorities)



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(3) *Haitong-Fortis Private Equity Fund Management Co., Ltd.*

Registered address: Room A, No. 8, Lane 888, Wan Hang Du Road, Jing'an District, Shanghai

Establishment date: 18 October 2004

Registered capital: RMB100 million

Shareholding percentage: 67%

Legal representative: Li Baoguo

Tel: 021-62883005

Scope of business: Industrial investment fund management, investment advisory and investment fund formation. (Businesses that require administrative licenses should be conducted based on relevant licenses obtained)

(4) *Haitong Futures Co., Ltd.*

Registered address: Level 17, Unit 01, 03, 04 of Level 6, Level 25 and Unit 05 of Level 2, No. 1589 Century Avenue, Pudong New Area, Shanghai

Establishment date: 18 March 1993

Registered capital: RMB1,301.5 million (RMB1,300.0 million as at the end of 2018)

Shareholding percentage: 66.667%

Legal representative: Wu Hongsong

Tel: 021-61871688

Scope of business: commodity futures brokerage, financial futures brokerage and futures investment advisory services, asset management and fund sales. (Businesses that require administrative licenses should be conducted based on relevant licenses obtained)

(5) *Haitong International Holdings Limited*

Registered address: 22/F, Li Po Chun Chambers, 189 Des Voeux Rd, Central, Hong Kong

Establishment date: 24 July 2007

Authorised capital: HK\$11,180 million (HK\$8,850 million at the end of 2018)

Issued capital: HK\$11,180 million (HK\$8,850 million at the end of 2018)

Paid-in capital: HK\$11,180 million (HK\$8,850 million at the end of 2018)

Shareholding percentage: 100%

Tel: 852-39268888

Nature of business: Investment holdings

Scope of business: Investment holdings, engaging in brokerage, corporate financing, assets management and other businesses permitted by Hong Kong securities regulatory rules through establishment of various subsidiaries.



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(6) *Haitong Capital Investment Co., Ltd.*

Registered address: Room 07-12, Level 26, No. 689 Guangdong Road, Shanghai

Establishment date: 23 October 2008

Registered capital: RMB10,650 million

Shareholding percentage: 100%

Legal representative: Zhang Xiangyang

Tel: 021-63410311

Scope of business: Using its own funds or establishing direct investment funds to make equity investments and debt investments in relation to equity in enterprises or investing in other investment funds in relation to equity investments; providing investment advisory, investment management and financial advisory services on equity investments to clients; and other businesses permitted by the CSRC. (Businesses that require administrative licenses should be conducted based on relevant licenses obtained)

(7) *Haitong Innovation Securities Investment Co., Ltd.*

Registered address: Room 107N, Building No. 2, No. 774 Changde Road, Jing'an District, Shanghai

Establishment date: 24 April 2012

Registered capital: RMB4,100 million

Shareholding percentage: 100%

Legal representative: Shi Jianlong

Tel: 021-23219000

Scope of business: Securities investment, financial products investment and equity investment. (Projects subject to approval as required by law shall commence operating activities upon approval by relevant authorities)

(8) *Shanghai Haitong Securities Asset Management Company Ltd.*

Registered address: Room 01-12, Level 32, No. 689 Guangdong Road, Huangpu District, Shanghai

Establishment date: 26 June 2012

Registered capital: RMB2,200 million

Shareholding percentage: 100%

Legal representative: Pei Changjiang

Tel: 021-23219000

Scope of business: Securities asset management. (Projects subject to administrative approval shall be conducted under a business license)



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

(9) *Shanghai Weitai Properties Management Co., Ltd.*

Registered address: Level 3, No. 689 Guangdong Road, Huangpu District, Shanghai

Establishment date: 8 January 2014

Registered capital: RMB10 million

Shareholding percentage: 100%

Legal representative: Gong Zhihong

Tel: 021-23219000

Scope of business: Real estate development and management, and property management. (Projects subject to approval as required by law shall be conducted upon approval by relevant authorities)

### (III) Numbers and network of securities branches of the Company

As at the end of the Reporting Period, the Company had 290 securities branches (see Appendix II of this Report for details).

### (IV) Numbers and networks of other securities branch offices

As at the end of the Reporting Period, the Company had 27 securities branch offices (see Appendix II of this Report for details).

## VII. OTHER RELEVANT INFORMATION

Accounting firm appointed by the Company (domestic)	Name	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
	Office address	4/F, No. 61 East Nanjing Road, Shanghai, PRC
Accounting firm appointed by the Company (overseas)	Signatory accountants Name	Zhao Min and Chi Yuan Deloitte & Touche (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership))
	Office address	35/F, One Pacific Place, No.88 Queensway, Hong Kong
Legal Adviser to the Company, as to PRC law	Signatory accountants Grandall Law Firm (Shanghai)	Man Kai Sze
Legal Adviser to the Company, as to Hong Kong law	Clifford Chance	

## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

## VIII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE GROUP

(All of the accounting data and financial indicators set out in this Report are prepared in accordance with IFRS unless otherwise indicated)

## (I) Major accounting data and financial indicators over the past three years

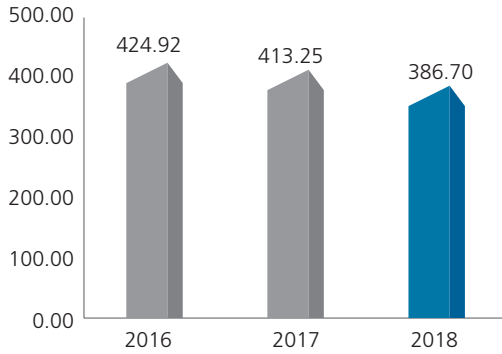
Items	2018	2017	As compared to the last corresponding period	2016
<b>Results of operations</b> (RMB'000)			Change	
Total revenue, gains and other income	38,669,707	41,324,502	-6.42%	42,492,256
Profit before income tax	7,570,366	12,889,397	-41.27%	11,161,727
Profit for the year – attributable to owners of the Company	5,211,093	8,618,423	-39.54%	8,043,334
Net cash flow from/(used in) operating activities	5,197,832	-37,213,456	N/A	-19,268,426
Other comprehensive income	-1,586,714	793,729	-299.91%	281,583
<b>Earnings per share</b> (RMB/share)				
Basic earnings per share	0.45	0.75	-40.00%	0.70
Diluted earnings per share	0.45	0.74	-39.19%	0.70
<b>Index of profitability</b>				
Weighted average returns on net assets (%)	4.42	7.56	-3.14 percentage points	7.39
<b>Items</b>	<b>As at 31 December 2018</b>	<b>As at 31 December 2017</b>	<b>As compared to the end of the last corresponding period</b>	<b>As at 31 December 2016</b>
<b>Indices of size</b> (RMB'000)				
Total assets	574,623,634	534,706,333	7.47%	560,865,846
Total liabilities	444,437,715	405,012,029	9.73%	438,907,445
Accounts payable to brokerage clients	71,893,535	83,774,388	-14.18%	104,059,287
Equity attributable to owners of the Company	117,858,575	117,755,479	0.09%	110,130,127
<b>Total share capital</b> ('000)	<b>11,501,700</b>	<b>11,501,700</b>	<b>-</b>	<b>11,501,700</b>
<b>Net assets per share attributable to owners of the Company</b> (RMB/share)	<b>10.25</b>	<b>10.24</b>	<b>0.10% +2.86 percentage points</b>	<b>9.58</b>
<b>Gearing ratio</b> (%) <sup>(1)</sup>	<b>74.10</b>	<b>71.24</b>	<b>percentage points</b>	<b>73.30</b>

Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

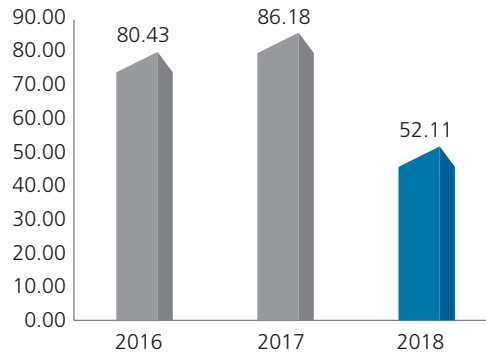


## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

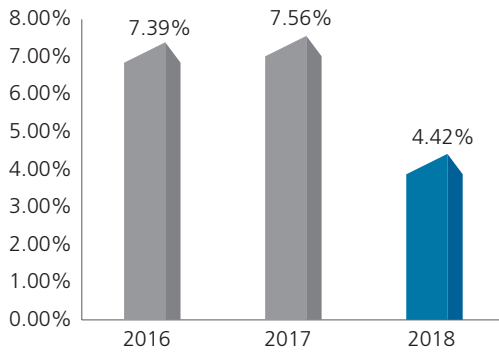
**Total revenue, gains and other income  
(RMB in 100 million)**



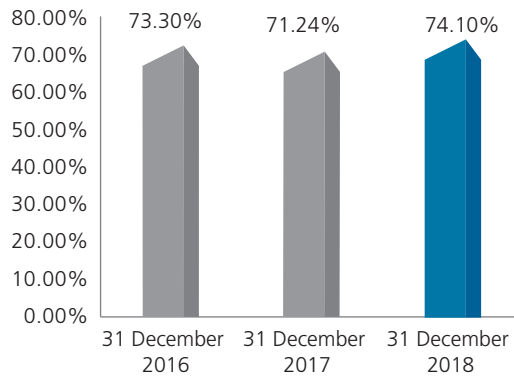
**Profit for the year - attributable to owners of the Company  
(RMB in 100 million)**



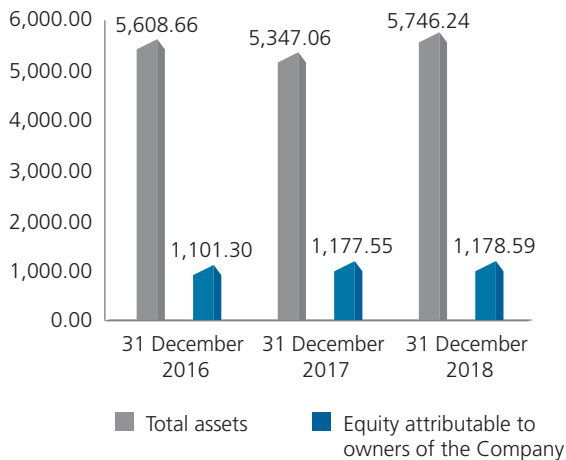
**Weighted average returns on net assets**



**Gearing ratio**



**Indices of size  
(RMB in 100 million)**



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (II) Major accounting data and financial indicators over the past five years

#### 1. Profitability

Unit: '000 Currency: RMB

	2018	2017	2016	2015	2014
Total revenue, gains and other income	<b>38,669,707</b>	41,324,502	42,492,256	55,285,553	23,666,866
Total expenses	<b>31,132,050</b>	29,143,592	31,530,964	34,648,129	13,413,806
Profit before income tax	<b>7,570,366</b>	12,889,397	11,161,727	21,118,869	10,420,394
Profit for the year – attributable to owners of the Company	<b>5,211,093</b>	8,618,423	8,043,334	15,838,851	7,710,623

#### 2. Assets

Unit: '000 Currency: RMB

	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
Total assets	<b>574,623,634</b>	534,706,333	560,865,846	576,448,892	352,622,149
Total liabilities	<b>444,437,715</b>	405,012,029	438,907,445	459,521,221	280,357,946
Accounts payable to brokerage clients	<b>71,893,535</b>	83,774,388	104,059,287	129,026,336	80,766,843
Equity attributable to owners of the Company	<b>117,858,575</b>	117,755,479	110,130,127	107,694,545	68,364,431
Share capital	<b>11,501,700</b>	11,501,700	11,501,700	11,501,700	9,584,721

#### 3. Key financial indicators

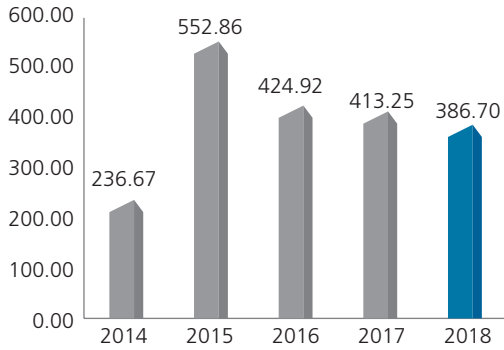
	2018	2017	2016	2015	2014
Dividend per share					
Basic earnings per share (RMB/share)	<b>0.45</b>	0.75	0.70	1.48	0.80
Diluted earnings per share (RMB/share)	<b>0.45</b>	0.74	0.70	1.48	0.80
Weighted average returns on net assets (%)	<b>4.42</b>	7.56	7.39	17.56	11.88
Gearing ratio (%) <sup>(1)</sup>	<b>74.10</b>	71.24	73.30	73.87	73.42
Net assets per share attributable to owners of the Company (RMB/share)	<b>10.25</b>	10.24	9.58	9.36	7.13

Note 1: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)

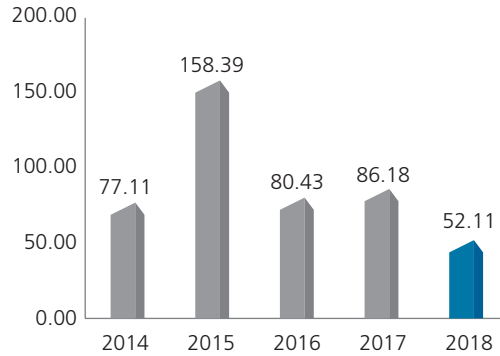


## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

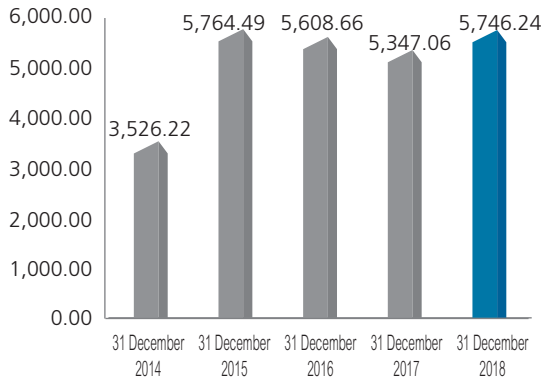
**Total revenue, gains and other income  
(RMB in 100 million)**



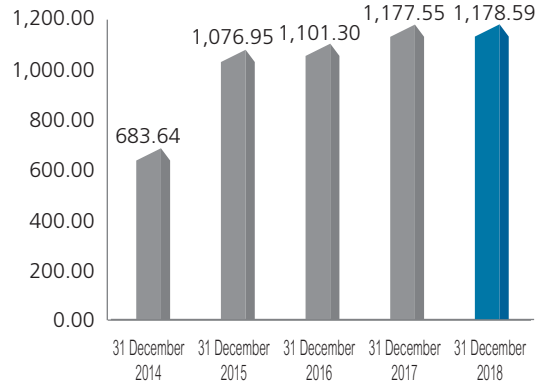
**Profit for the year - attributable to owners of the Company  
(RMB in 100 million)**



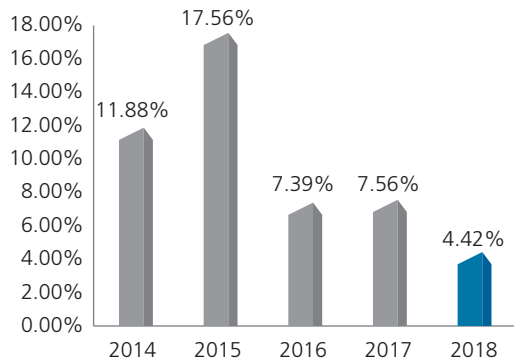
**Total assets  
(RMB in 100 million)**



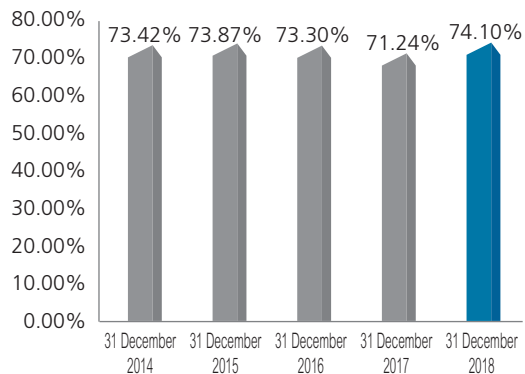
**Equity attributable to owners of the Company  
(RMB in 100 million)**



**Weighted average returns on net assets**



**Gearing ratio**



## SECTION II COMPANY PROFILE AND KEY FINANCIAL INDICATORS

### (III) Accounting data differences between IFRS and PRC GAAP

The net profits for the year 2018 and 2017 and the net assets as at 31 December 2018 and 31 December 2017 as stated in the consolidated financial statements of the Group prepared in accordance with PRC GAAP are consistent with those in accordance with IFRS.

### (IV) Net capital and other risk control indicators of the Company

As at 31 December 2018, the net capital of the Company as calculated in accordance with PRC GAAP was RMB71,377 million, representing a decrease of RMB3,915 million as compared to such amount as at the end of the previous year (RMB75,292 million). During the Reporting Period, all risk control indicators including net capital of the Company met the regulatory requirements.

Items	31 December 2018	31 December 2017
Net capital (RMB'000)	<b>71,377,007</b>	75,292,211
Net assets (RMB'000)	<b>108,194,830</b>	106,859,158
Risk coverage ratio	<b>253.27%</b>	249.31%
Capital leverage ratio	<b>26.03%</b>	27.06%
Liquidity coverage ratio	<b>477.91%</b>	188.90%
Net stable funding rate	<b>137.11%</b>	135.49%
Net capital/net assets	<b>65.97%</b>	70.46%
Net capital/liabilities	<b>46.07%</b>	50.16%
Net assets/liabilities	<b>69.84%</b>	71.20%
Proprietary equity securities and securities derivatives/net capital	<b>28.94%</b>	30.78%
Proprietary non-equity securities and derivatives held/net capital	<b>117.20%</b>	57.72%

Note: Data above are calculated based on the financial information prepared in accordance with PRC GAAP.



## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### I. DESCRIPTIONS OF THE PRINCIPAL BUSINESSES OF THE COMPANY, ITS OPERATING MODELS AND INDUSTRIES DURING THE REPORTING PERIOD

#### 1. Principal businesses and operating models of the Company during the Reporting Period

The Company's principal business lines comprise wealth management, investment banking, asset management, trading and institutional client services, and financial leasing.

Wealth management business mainly refers to the provision of comprehensive financial services and investment solutions to retail and high-net-worth customers, including securities and futures brokerage services, investment advisory services, financial planning services, and financing business services such as margin financing, securities lending and stock pledge.

Investment banking mainly refers to the provision of sponsorship and underwriting services for corporate and government customers with regard to financing activities in both equity capital markets and debt capital markets, the provision of financial advisory services to corporate customers for mergers and acquisitions as well as asset restructurings, and the provision of NEEQ quotation services. Based on the nature of business, the investment banking business of the Company is further categorised into segments of equity financing business, debt financing business, mergers and acquisitions financing business, NEEQ and structural financing business. The Company strives to provide customers with "one stop" domestic and overseas investment banking services.

Asset management mainly refers to the provision of comprehensive investment management services on diversified products to individuals, corporations and institutional clients, including asset management, fund management, public and private equity investment services. HT Asset Management carries out businesses including targeted asset management, collective asset management, specialised asset management, QDII business, and innovative business. The principal businesses of HFT Investment and Fullgoal Fund include mutual funds management (including QDII), corporate annuities management, NSSF asset management and specific customers asset management, providing professional fund investment financing services for investors. The Company also operates a number of professional investment management platforms for private equity investment business, which provides services including industrial investment funds management, investment consultation, promotion and establishment of investment funds, etc. Trading and institutional client services mainly refers to the provision of stock sale and trading, prime brokerage, stock borrowing and lending and stock research services in major global financial markets for global institutional investors, as well as the issuance and market making services for various financial instruments such as fixed income products, currency and commodity products, futures and options, exchange traded funds and derivatives. Meanwhile, the Company exerts and enhances the synergy advantage among business segments through investment funds and private equity projects and focuses on exploring investment opportunities with reasonable capital return and further expands clients relationships and promotes overall growth of its business.



## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

Financial leasing mainly refers to the provision of innovative financial services and solutions to individuals, enterprises and governments, including financial leasing, operating leasing, factoring, entrusted loans and relevant advisory services. The Company's leasing businesses are mainly operated by Haitong UT. Currently, Haitong UT engages in a wide range of industries, including infrastructure, transportation & logistics, industrials, education, health care, construction & real estate and the chemical industry, etc. Haitong UT leverages rich industrial experience and market channels and works with renowned domestic and overseas equipment manufacturers to provide comprehensive financing solutions and services for the business development of clients. In the past two years, Haitong UT has taken the initiatives to explore the business model of securities firm-featured financial leasing and has launched a diversified product portfolio which integrates equity investment with debt investment to provide more innovative structured financing solutions to customers.

Other segments mainly refer to the provision of comprehensive financial and information services to institutional customers, including warehouse receipt service, pricing service, market making service and services relating to risk management.

### **2. Development stage and cyclical features of the industry in which the Company operates and its industrial position during the Reporting Period**

Year 2018 saw the intensive introduction of new regulations and policies for the financial industry. The "One Committee, One Bank and Two Commissions" (一委一行兩會) regulatory system was officially established; the New Asset Management Regulations (資管新規) and the Administrative Measures for Wealth Management Subsidiaries of Commercial Banks (銀行理財子公司管理辦法) were formally promulgated, while the concept of lawful, stringent and comprehensive supervision was further strengthened. A market-oriented, more open and sustainable industry ecosystem has been gradually taking shape with accelerating open-up of the financial industry, launching of the science and technology innovation board and the registration system, normalisation of delisting and transaction regulation marketisation.

On 5 November 2018, Xi Jinping, General Secretary of the Communist Party of China Central Committee, announced at the first China International Import Expo that the Science and Technology Innovation Board (the "Sci-Tech Innovation Board") will be launched and the Registration-based IPO System will be piloted on the SSE. The establishment of the Sci-Tech Innovation Board and the pilot registration system will directly promote the profitable growth of securities firms in respect of their investment banking, underwriting and sponsoring businesses, while the loosening of refinancing policies is expected to lead to the growth in scale of the refinancing business operations of securities firms. As the Registration-based IPO System may have more stringent approval requirements for enterprises in pursuit of listing, and have stricter requirements for lead underwriters capabilities of underwriting, pricing and risk control, leading securities firms with capital and human resources advantages will gain more benefits.

Therefore, although the macro economy may experience a downturn pressure in 2019 and corporate profit growth has yet to bottom out in the short-term, considering the relatively extensive release of risks due to significant market downturn in 2018, the benefit of easing tension in the US-China trade war, market liquidity improvement, future loosening of market regulation and the launch of the Sci-Tech Innovation Board, the business of the Company and other leading securities firms will be brought positive influence.



## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### II. SIGNIFICANT CHANGES OF THE COMPANY'S MAJOR ASSETS DURING THE REPORTING PERIOD

For major changes in assets which account for over 5% of the total assets as at the end of the Reporting Period and the range of such change during the Reporting Period exceeding 30%, see "Analysis on principal components of consolidated statement of financial position" in Section IV of this Report.

Of which: off-shore assets amounted to RMB252,148,468,633.75, accounting for 43.88% of the total assets.

### III. ANALYSIS ON THE COMPANY'S CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the course of its operations over the years, the Company has gradually built up its specific core competitiveness in the following six aspects:

#### 1. Solid capital strength

From 2007 to 2018, the Company seized the market opportunities and rapidly enhanced its capital strength through several strategic equity financing and bond financing transactions including A-share and H-share listing and secondary offering. In 2018, the Company completed a series of domestic and overseas financing activities such as issuing corporate bonds, "margin financing and securities lending" ABS and beneficiary certificates, raising an aggregate amount of RMB56.0 billion. In continuous compliance with relevant regulatory requirements for the liquidity supervision indicators, the Company properly arranged the replacement of matured debts with new debts and effectively satisfied the domestic business capital requirements, and at the same time actively expanded overseas financing channels to ensure the healthy and orderly development of overseas business. Adequate capital has laid a solid foundation for the Company's business optimisation and transformation as well as satisfying domestic and overseas clients' diversified needs for financial services.

#### 2. Outstanding comprehensive financial service platform

Based on its fundamental securities business, the Company has continuously expanded the scope of its financial products and services and extended the boundaries of financial services through setting up and acquiring of professional subsidiaries. The Company has developed into a financial service group with businesses covering brokerage, investment banking, asset management, private equity investment, alternative investment and financial leasing. The Company's brokerage business boasts a solid customer base; its investment banking business has ranked in the forefront of the industry; the assets under management (AUM) of actively managed assets business has progressively enlarged; the size and profitability of its private equity investment business has ranked top in the industry; the performance indicators of its Hong Kong business are in the leading position among all market players; its financial leasing business has established and continues to maintain an industry-leading position; and its research services business enjoys strong market influence. The integrated financial platform generates strong scale effect and cross-selling potentiality, which vigorously supports the business development and enables comprehensive financing services for customers.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### 3. Extensive branch network and strong customer base

As at 31 December 2018, the Company had 330 securities and futures business departments (including 290 securities business departments and 40 futures business departments) spanning across 30 provinces, municipalities and autonomous regions in the PRC. The Company also established branches or subsidiaries in 14 countries and regions in Asia, Europe, North America, South America and Oceania. With a nationwide network of locations and a strategic international presence, the Company has built a large and stable customer base. As at 31 December 2018, the Company had approximately 14.0 million domestic and overseas customers.

### 4. Industry-leading international business platform

By acquisition of Haitong International Securities and Haitong Bank, and establishment of a FTZ branch in China, the Company has established an industry-leading international business platform and gained first-mover advantages in the Asian-Pacific region, as well as access to strategic pipeline projects in Europe and the United States.

In 2018, Haitong International Securities stood firmly at the first-tier position among investment banks in Hong Kong, and continued to maintain its pioneer position of PRC securities firms in aspects such as functioning as an omnipotent investment bank and in terms of transaction execution. In particular, Haitong International Securities ranked first among all investment banks based in Hong Kong in terms of the number of IPO projects underwritten, ranked first among all PRC investment banks based in Hong Kong in terms of the number of equity financing projects underwritten, ranked first among all international financial institutions in terms of the number of USD dollar high-yield bond (in Asia excluding Japan) projects underwritten, and ranked among the first tier of the leading issuers in derivatives business. Meanwhile, Haitong International Securities has made a string of breakthroughs in its expansion into overseas markets, including the completion of its first IPO project on the New York Stock Exchange and NASDAQ respectively, and its first convertible bonds issuance project on NASDAQ, which has made it the first eligible PRC market maker on NASDAQ. Haitong International Securities also endeavoured to expand into Singapore and India markets, and continued to achieve success in investment banking projects. It was also among the first to be granted the qualification as the UK Cross-border Transfer Institution of Shanghai-London Stock Connect GDR.

Haitong Bank is an important part of the Company's globalization strategy and has more than 20 years' experience in the local market in the European Union as well as in South America with profound understanding and expertise. The Company aims to support cross-border business transactions among China, Europe, South America and Africa, and expand the Company's business to wider geographic region and make it well prepared for its accelerated globalisation in advance. In 2018, Haitong Bank focused on three major areas which are corporate banking, investment banking and asset management. It adhered to the philosophy of "Chinese characteristics" in the expansion of business, and as a result, the Company achieved significant improvement in its operations and its Standard & Poor's rating outlook is updated to "stable".



## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

The Company's FTZ branch, as one of the first batch of securities institutions participated in the FTU system of the free trade zone, has become the first PRC securities firm to complete the cross-border financing project under FT. In 2018, FTU business of the free trade zone recorded remarkable growth with completion of the first international gold leasing business, making the Company the first securities firm to engage in market transactions on the SGE (Shanghai Gold Exchange) International. Meanwhile, the Company obtained foreign currency lending membership of China Foreign Exchange Trading System to engage in foreign currency lending transactions under FT.

These industry-leading, all around and multi-jurisdiction international business platforms will help the Company seize the progressively increasing opportunity for cross-border businesses, meet customers' demands for cross-border business and improve the Company's international influence.

### **5. Prudential operational philosophy, effective compliance risk management and internal control system**

Upholding the compliance and risk management philosophy of "prudence and even conservativeness", the Company has successfully navigated through multiple market and business cycles, regulatory reforms and industry transformations in the past 30 years of operations. Among the Chinese securities firms established in 1980s, the Company is the only large-scale securities firm which is still in operation under the same brand without state-owned capital injection or being acquired or restructured. The Company has established a company-wide risk management system to robustly implement the requirements for overall risk management and to effectively manage market risks, credit risks, liquidity risks and operational risks. The Company has also established effective risk isolation mechanism and appropriate precautionary mechanism across its business lines to prevent potential conflicts of interests. In addition, the Company has established an independent and centralised internal audit and compliance system to effectively monitor and supervise the compliance, authenticity, completeness, and effectiveness of its operations and transactions.

## SECTION III SUMMARY OF THE COMPANY'S BUSINESS

### 6. Technology enabling our business into new stage

The Company adheres to the information-based development strategy and firmly promotes the in-depth integration of technology and business. The Company's investment in science and technology has continued to lead the industry with the investments on information technology of RMB600 million in 2018, which lead the industry with new innovations. The Company has already become one of the explorers and pioneers in the digital transformation of the industry. In 2018, the Company's 13th five-year plan for science and technology has been implemented at its third year with technology leading the Company's business into a new phase. Firstly, the new version of "e-HaitongCai" Internet financial platform was released, which was the first in the industry to connect both the mobile and PC terminals, keeping us ahead of counterparts in terms of intelligence, personalisation and full-function coverage. Secondly, adopting artificial intelligence in the Company's business brought forth our technology operation and maintenance, financial management, business operation and risk management into an intelligent era. These efforts allowed our financial sharing center and intelligent operation to maintain a leading edge in the industry. The Company was therefore a pioneer in applying pre-transactional risk control measures to the stock transactions of specific shareholders. Thirdly, the building of Haitong big data platform provided a more comprehensive, convenient and intuitive approach for data analysis and visual display of customer service and internal management. Fourthly, with the implementation of Haitong's finance cloud strategy, the first hybrid finance cloud platform was launched and the first thousand-person class office desktop cloud was put into service, leading the development trends of the financial cloud in the industry.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### I. MANAGEMENT DISCUSSION AND ANALYSIS

In 2018, the Company faced complex domestic and international economic conditions, including deleveraging in domestic market, the mounting downward pressure on China's economy and tightening financial supervision policies in the PRC, as well as the escalating trade disputes between China and US and US dollar interest rate hikes. The Company actively responded to such challenges and made every effort to overcome difficulties, prevented and resolved risks and keenly grasped opportunities, based on which, the Company continued to rank in the forefront of the industry in terms of its major financial indicators and its primary businesses remained stable development overall.

The year 2018 was the first year to implement the Company's 2018-2020 three-year development plan. The Company made great efforts to "Transform from Big to Strong" through step-by-step implementation of the following tasks: the Company steadily pushed forward the transformation of brokerage business into wealth management, and defined objectives of reform for next phase. The Company's investment banking business paid close attention to benefits that may bring forth through reforms, and strictly controlled project quality to get ready for listing on the Sci-Tech Innovation Board, with strong project reserves. The Company's asset management business actively responded to the new industry regulations by adjusting business strategies to expand the active management scale. Haitong International's Hong Kong business also maintained its leading position, with its US operation making breakthroughs and its integration of overseas resources handsomely paid off, which reflected Haitong Bank's key function as the Company's international strategic reserve resource. The Company's leasing business strengthened its risk prevention and resolution with asset size and profitability reached new height. The Company actively supported the development of private economy to promote business cooperation by providing bail-out programs. According to the Company's five-year science and technology development plan, the Company accelerated the implementation of significant science and technology projects such as big data platform and finance cloud. The Company also steadily pushed forward the Group's overall risk management and implemented the requirements of the consolidated supervision pilot program. The Company steadily pushed forward the building up of a compliance management system and further improved the authorisation management system, and thoroughly enforced anti-money laundering. The Company completed the adjustment of the financial division report to gradually evolve into an international investment bank through objective illustration of division performance and henceforth reflected our advantages. The Company emphasised the approach of synergised development, which required all units to earn from each other's advantages to proceed in a coordinated fashion, so as to continuously enhance the value of the Company's platform as a large comprehensive securities company. The Company effectively improved our risk management and control ability, and maintained the Company's credit assets constantly at a safe and controllable level which was significantly over industry's average. The Company constantly improved the infrastructure construction, and our Haitong Building, Zhangjiang Technological Base and other key infrastructure projects are successively launched. They served to provide a strong infrastructure guarantee for the Company to upgrade its strategies of grouping, internationalisation and informatisation in next step.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### II. OPERATIONS DURING THE REPORTING PERIOD

As of 31 December 2018, the total assets of the Group amounted to RMB574,624 million, and the net assets attributable to the parent company amounted to RMB117,859 million. In 2018, the Group realised revenue of RMB38,670 million, and net profit attributable to the parent company amounted to RMB5,211 million. The weighted average return on net assets was 4.42%. Its subsidiaries realised revenue of RMB21,035 million, accounting for 52% of the total revenue of the Group and its overseas business realised revenue of RMB13,254 million, accounting for 34% of the total revenue of the Group.

#### (I) Analysis of principal operations

##### > Wealth management business

###### *Market conditions:*

Affected by factors such as stricter regulatory policies, financial deleveraging, changes in macro-policies at home and abroad, and stock pledge risks, domestic stock market transactions declined significantly in 2018. According to WIND, the average daily turnover of stocks and funds in the Shanghai and Shenzhen stock markets was RMB413,900 million in 2018, representing a year-on-year decrease of 17.6%. The industry commission rate tended to be stable. In 2018, the transformation of the wealth management business accelerated. The profit model evolved from solely commission incomes to the provision of comprehensive financial services such as asset allocation, investment strategy and risk management to customers based on their asset status and risk tolerance, and obtaining commissions, interest expenses and the respective comprehensive financial services incomes. In terms of the financing business, affected by market conditions, the balance of advances to customers on margin financing for margin financing and securities lending as at the end of 2018 was RMB750,093 million, representing a decrease of 26.70% as compared to that as at the end of 2017; the amount to be repurchased for stock pledge as at the end of the period was RMB1,165,913 million, representing a decrease of 25.27% as compared to that as at the end of 2017.

###### *Operating measures and performance:*

In 2018, the Company centered on customers, focused on customer services, firmly followed the direction of wealth management transformation, enriched business connotation, and continuously optimised the income structure and service means of the wealth management business. In 2018, the market share of stock and fund trading of the Company was 4.74%, continuing to maintain the growth momentum. The total number of domestic and foreign customer accounts amounted to nearly 14 million.

#### **Changes in Trading Volume of the Company in 2018**

	The Reporting Period	Last Corresponding Period
Trading volume of stocks (RMB100 million)	75,014	97,880
Trading volume of funds (RMB100 million)	15,179	9,548
Total (RMB100 million)	90,193	107,428

Source: internal statistics of the Company



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (1) Retail and Internet finance businesses

Combining the transformation of wealth management, the Company strengthened the four major capabilities comprising the research and development capability for Internet finance smart tools, the capability of the investment research team to integrate services, the capability of the Group to customise wealth management products, and online sales synergy. The Company successfully released its e-HaitongCai version 7.0 and its PC version. In addition, the Company launched the “Universal Membership” (通享會員) club, combining four major categories of membership privileges including investment and wealth management, investment information, investment services and value-added services, continuously enriching the services provided to members. At the end of the Reporting Period, the Company’s e-HaitongCai APP had over 23 million users, with the APP transactions accounting for more than 80% of the customer coverage. The APP commanded a leading position in the industry in terms of number of active users and won important awards such as the “2018 Top Ten Brands of APP of Securities Companies (2018證券公司APP十大品牌)” awarded by the Securities Times China Securities Firms and the “Annual Top Ten APP (年度十佳APP)” awarded by Sina Finance. E-HaitongCai APP had built up an excellent reputation in the industry and great influence outside the industry.

### (2) Wealth management for high-net-worth customers

Relying on years of experience in serving high-net-worth customers, the Company has tapped the wealth management needs and investment habits of high-net-worth customers, and built a comprehensive customer service model by focusing on the “Tongjuhuicui (通聚薈萃)” brand, “Caian Wenfu” (財安穩富) brand and “Haiying” (海盈) brand, with absolute income as the core, the allocation of major classes of assets and risk management as the two key areas, and the agency sale of financial products as the allocation means. In 2018, a total of 14 tranches of products under the “Tongjuhuicui (通聚薈萃)” series were issued and all achieved positive returns. The average annualised rate of return after deducting commission fee exceeded 8%, leading the same type of strategies in the whole market.

### (3) Futures brokerage

In 2018, Haitong Futures, a subsidiary controlled by the Company, continued to put efforts on its main business, maintaining an industry-leading position in terms of the market share of the major categories of futures. The Company attained a market share of 7.77% in terms of the total trading volume of futures commissioned through it, continuing to rank first in the industry. In particular, the Company attained a market share of 9.46% in terms of the trading volume of futures commissioned through it on the Shanghai Futures Exchange, ranking first in the industry. The Company ranked among the top in the industry in the number of accounts opened and the market share in terms of the trading volume in connection with new strategic categories such as crude oil and iron ore. Haitong Futures successfully completed listing on the NEEQ, and maintained the AA grade in terms of the classification rating.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (4) Financing business

In 2018, in accordance with the financing business development strategy of “stabilising the size, adjusting the structure and reducing the risk” developed at the beginning of the year, the Company established a sound risk control mechanism, strengthened the tracking of key projects and actively adjusted part of the risk projects. During the period of significant market volatility, the Company responded quickly and handled the situation vigorously, which effectively avoided the extreme risk events in the market. At the same time, it actively explored and designed a bail-out plan using investment bank thinking, and took the lead in establishing a bailout fund in the industry. As of the end of 2018, the total size of the financing business of the Company amounted to RMB120.9 billion, representing a decrease of RMB40.7 billion as compared to that as of the end of the previous year.

#### ***Changes in the scale of the financing business of the Company in 2018***

	<b>As at the end of the Reporting Period</b>	<b>As at the end of the last corresponding period</b>
Balance of margin financing and securities lending business (RMB100 million)	347.16	480.33
Balance of stock pledge business (RMB100 million)	858.27	1,120.69
Balance of stock repo transaction (RMB100 million)	3.79	15.75
<b>Total (RMB100 million)</b>	<b>1,209.22</b>	<b>1,616.77</b>

Source: SSE, SZSE, and internal statistics of the Company



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### ➤ *Investment banking business*

#### *Market conditions:*

In 2018, the domestic equity financing market suffered a cold winter. The number of IPO applications approved hit a new low in nine years. The number of companies being approved decreased by 60%. There were only 105 companies achieved listing, representing a year-on-year decrease of 76%. The size of funds raised declined by 40%. Refinancing was affected by factors such as new policies and new regulations for reducing holdings, with the number of issuers declining by 39% and the size of funds raised declining by 28%. During the Reporting Period, the total value of domestic M&A transactions first announced amounted to RMB3.16 trillion, representing a year-on-year decrease of 37%. The value of outbound M&A by Chinese enterprises was approximately RMB323.8 billion, representing a year-on-year decrease of 32%. The issue size of the Chinese bond market in 2018 still maintained steady development momentum. The issue size of the bond market for the whole year was RMB43.85 trillion, representing an increase of 7.38% as compared with the issue size of the market in 2017. In 2018, the global stock market completed a total of 4,094 transactions, and the total financing amount and the project number decreased by 12% and 14%, respectively, compared with 2017. In particular, the Hong Kong market performed actively. The amount of funds raised through IPO in 2018 was US\$36.90 billion, representing a significant increase compared with 2017. The number of IPO projects increased from 156 in 2017 to 207 in 2018. In 2018, we had 181 refinancing projects, representing a decrease as compared with 304 projects in 2017, however, the total financing amount increased by approximately 62.5% compared with the amount in 2017. A total of 33 Chinese enterprises completed their IPOs in the US.

#### *Operating measures and performance:*

##### (1) *Equity financing*

In 2018, facing tightening project oversight and an overall contracting market, the Company's equity financing business segment proactively adjusted its operating concept by expanding long-term investments and pursuing sustainable development through a deep understanding of the national strategy. As relevant measures on domestic issuance of shares by new pilot enterprises were unveiled, the Company set up innovation research teams to conduct in-depth researches on the macro-economy and innovative approaches for the development of industry. The Company also maintained good communications with relevant competent authorities and potential customers, and actively engaged in the training and sourcing of innovative technology enterprises. Since the motion for a Sci-Tech Innovation Board was first tabled, the Company continued to expand its systematic research on the board and its registration system while acceleration the implementation and advancement of innovation projects under the Group's portfolio. As of now, the Company has established business ties with leading corporations in several key fields including semi-conductor chips, biomedicine and others, and positioned itself as a leader in the industry. Meanwhile, the Company is preparing its talent pool and its technical support, building up its internal control regime in preparation for the launch of the Sci-Tech Innovation Board.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

In addition, the Company is making further innovations in its equity financing business in order to expand its market influence further. In 2018, the Company proactively sought breakthroughs and opportunities to rejuvenate its traditional business. These efforts served to significantly raise the Company's market influence during industry downturn. For instance, the project of Sanjiang Shopping's introduction of Alibaba as its strategic investor was the first A-share project that introduced strategic investor by leveraging a combination of equity and debt financing instruments, which had received wide market acclaim.

In the A-Share market, the Company completed 24 equity financing deals, with proceeds raised amounting to RMB47.136 billion. In the Hong Kong market, in terms of the number of IPO projects underwritten, Haitong International Securities ranked first among all financial institutions in Hong Kong. In the US market, Haitong International Securities completed two US IPO projects in 2018, and the IPO of Puxin Limited became an important milestone for the Company's penetration into the US market.

### (2) Bond financing

In 2018, the Company, as the lead underwriter, completed a total of 415 bond financing projects, with a total underwritten amount of RMB255 billion. According to the ranking of the underwritten amount for major types of bonds, the Company ranked second in terms of the enterprise bond underwritten amount, ranked second in terms of the debt financing instrument underwritten amount, and ranked fifth in terms of the corporate bond underwritten amount in the industry. The Company continued to maintain its innovation advantages of its debt financing business in the market, and completed 15 first-in-market deals such as "Bond Pass Mid-term Notes (債券通中票)" and "Debt-to-Equity Special Bonds (債转股專項債)". The Company's adequate reserve of bond financing projects has laid a solid foundation for the sustainable development of its business.

#### *Changes in the scale of bond financing in 2018*

		The Reporting Period	Last Corresponding Period
Corporate bond	Underwritten Amount (RMB100 million)	840.19	578.02
	Number of transactions	140	94
Enterprise bond	Underwritten Amount (RMB100 million)	193.53	269.85
	Number of transactions	22	25
Others	Underwritten Amount (RMB100 million)	1,516.71	1,123.23
	Number of transactions	253	157

*Note:* Other bonds include security company bonds, non-policy related financial bonds, short-term commercial papers, mid-term notes, private placement financing instruments, asset backed securities and exchangeable bonds.

*Source:* WIND



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

In 2018, Haitong International Securities completed a total of 180 bond issuance projects, including 101 overseas bonds for Chinese property developers, establishing its absolute leading position in the bond market for Chinese property developers. In the ranking of Asian G3 High-yield Corporate Bond Issuance Markets (excluding Japan), Haitong International Securities ranked first among global financial institutions (commercial banks and investment banks) in terms of the amount and number of bonds underwritten. In the Singapore market, Haitong International Securities completed nine bond issuances projects for local customers. In the US market, it successfully helped Multinational Information Holdings Co., Ltd. (萬國數據控股有限公司) complete its issuance of convertible bonds of US\$300 million, representing a breakthrough in the issuance of convertible bonds in reliance of Rule 144A and Regulation S on the NASDAQ Global Market.

### (3) Financial Advisory on corporate M&A and asset restructuring

In 2018, the Company completed seven projects of major assets restructuring of listed companies as a financial adviser, with a total transaction amount of RMB66.3 billion, ranking second in the industry. There were seven projects obtaining the CSRC's approvals, with a success rate of 100%, and a total transaction amount of RMB45.746 billion, ranking third in the industry. The Company's large-scale projects continued to make breakthroughs, for instance, the transaction amount for the project of Fosun Real Estate's merger into Yuyuan reached RMB24 billion, ranking fourth in the market. These were the first batch of projects successfully completed for the "Return of China Concept Stocks" in the industry. The transaction amount for China Eastern Silk's reorganisation and listing was RMB12.7 billion, which was rated as the best deal of domestic M&A investment by the "China Venture Awards", with its market position in investment bank M&A brand further consolidated.

### ➤ **Asset management business**

#### *Market conditions:*

In 2018, regulators successively introduced new rules for asset management, as well as new regulations on wealth management and operational guidelines for securities companies' comprehensive collective asset management business. The asset management channel business of the securities companies had been shrinking at an accelerated pace and the asset management market was being reshaped. Affected by factors such as industry policies and market adjustments, the total AUM of the PRC securities industry as at the end of 2018 amounted to RMB14.11 trillion, representing a decrease of 18.3% as compared to the end of the previous year.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### *Operating measures and performance:*

The main platforms of the Company's asset management business include HT Asset Management, HFT Investment, Fullgoal Fund, eight private investment fund subsidiaries and the overseas asset management business.

#### (1) HT Asset Management

In 2018, faced with the dual pressure of regulation and market, HT Asset Management achieved an increase of 10% and 25% in its operating income and net profit as compared to the same period of last year, respectively. As at the end of the Reporting Period, assets under active management of the Company amounted to RMB108.3 billion, representing an increase of 20% as compared to the end of 2017. The investment performance of collective products ranked among the top 22% of similar products. In terms of channels, HT Asset Management actively expanded its Internet sales channels. As at the end of the year, the balance of the products amounted to RMB9.3 billion, representing an increase of 270% as compared to the end of 2017.

#### **Changes in AUM and net revenue of HT Asset Management**

	The Reporting Period		Last Corresponding Period	
	AUM (RMB100 million)	net revenue (RMB10 thousand)	AUM (RMB100 million)	net revenue (RMB10 thousand)
Collective asset management	611.38	54,789.49	513.47	41,459.40
Targeted asset Management	2,171.17	13,483.58	2,707.36	25,483.36
Specialised asset management	161.88	903.26	52.34	228.57
<b>Total</b>	<b>2,944.43</b>	<b>69,176.33</b>	<b>3,273.17</b>	<b>67,171.33</b>

Source: Internal statistics of the Company

#### (2) Fund management

The total assets under management of HFT Investment amounted to RMB212.5 billion, of which the assets under management of the public funds in aggregate reached RMB74.7 billion, representing a net increase of RMB24.0 billion as compared to the end of 2017. The HFT Investment completed the issuance of the first local bond ETF in China, raising funds of more than RMB6 billion. The total assets under management of Fullgoal Fund amounted to RMB434.0 billion, including public funds of RMB196.9 billion. The Company achieved a good investment performance for its asset management products, in particular, the outstanding star products including equity products, fixed income products, quantitative products and overseas products. Its various fund products ranked top ten among similar products during the year in terms of its performance returns.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (3) Private investment fund

The PE fund subsidiaries of the Company further enhanced the whole process management of “offering, investment, management and withdrawal” (募投管退), and achieved the centralisation of the middle and back end by taking the integrated PE business management system online as the starting point so as to ensure the standardisation, efficiency and transparency of investment decision making and post-investment management processes.

### (4) Overseas asset management

As the leader of the asset management business of Chinese brokers in Hong Kong, Haitong International Securities’s asset management business has developed rapidly in recent years, with its product lines getting better and better, the significantly improved investment performance and the rapidly growing asset size. Accordingly, its recognition in the industry has steadily increased. It continued to come out on top among the asset management companies of Chinese-based securities and fund management companies in Hong Kong in terms of the asset management size. Its products were awarded various prizes. In particular, the Haitong Shanghai-Shenzhen CSI 300 Index ETF was recognised by Chinese Asset Management Association of Hong Kong and Bloomberg as “Best Index Tracking Fund Performance – Runner-up”, and Haitong Global RMB Fixed Income Fund was recognised by Asia Asset Management as “Best Offshore RMB Bond Fund – seven years”. As of the end of 2018, the assets under management of Haitong International Securities amounted to HK\$46.4 billion.

### ➤ **Trading and institutional client services**

#### *Market conditions:*

In 2018, the equity market and the debt market in China moved in different directions. The Shanghai-Shenzhen CSI 300 dropped by almost 25% in the year. The total market capitalisation of the Shanghai and Shenzhen stock markets fell by RMB13.2 trillion, representing a decrease of 23% as compared to the end of 2017, which was second only to the global financial crisis in 2008. The negotiable market capitalisation of the two cities fell by RMB9.5 trillion for the whole year, the largest decline since the establishment of the Chinese stock market. This brought greater pressure on industry equity-related investments. The overall performance of the bond market was strong. The ChinaBond Aggregate Index increased by 9.63% for the whole year. Interest rate bonds performed better than credit bonds. Fixed-income investment income became an important growth driver for industry profits.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### *Operating measures and performance:*

#### (1) Trading business

In 2018, the Company seized opportunities in the fixed income market by increasing the allocation of high-yield credit bonds and expanding the low-risk arbitrage business. For equity-based non-trend investments, the Company actively participated in ETF market making and arbitrage, and was awarded the SSE 50 ETF option main market maker Class A rating. For the FTU business in the free trade zone, the Company made positive progress and achieved the first breakthrough in international gold lending. It is the first securities company to participate in market trading in the gold international board, and has obtained the foreign currency lending membership qualification of the foreign exchange trading center, entitling it to participate in foreign currency lending transactions under FT. For the derivative business, Haitong International Securities has successfully ranked among the first echelon of market players, breaking the long-term monopoly of foreign investment banks in this business area. Haitong International Securities has begun to engage in market-making business in the United States market and became the first market-maker on NASDAQ Global Market among all PRC securities companies.

#### (2) Institutional business

In 2018, the ecology of investment research services of brokers and sellers underwent a significant change. In this context, the Company's research business maintained its strength with the continuous expansion of the depth and breadth of research services, and continued to maintain strong market influence. During the year, a total of nearly 5,900 research reports were published, more than 1,200 sessions of investigation and survey activities were conducted, and 429 conference calls were held. Research reports such as the "Historic Opportunity of Investing in China" received extensive attention from the market.

Against the backdrop of a decline in the number of new products launched and custody fees, the Company's custody business and income maintained steady growth. The Company launched 908 new online products during the year, and the outsourcing business increased by 46% as compared to last year. By keeping up with the policy and market changes, the Company stepped up efforts in increasing the number of private equity investment fund customers, and the number of custody customers increased by 77% as compared to last year. As of the end of 2018, the Company's custody business amounted to RMB136.3 billion, representing a year-on-year increase of 9%.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 5. *Financial leasing business*

#### *Market conditions:*

In 2018, the financial leasing industry officially entered the era of unified regulation under the China Banking and Insurance Regulatory Commission (the “CBIRC”). Strict regulation and risk prevention have become the focuses of industry development. The financial leasing industry has been evolving from an “extensive development approach that pursues scale and speed” to a “specialised business approach that pursues asset quality and risk management”. In 2018, the growth trend of the industry continued steadily. As at the end of the Reporting Period, the balance of financial leasing contracts in China was approximately RMB6.65 trillion, representing an increase of 9.38% from RMB6.08 trillion as at the end of 2017<sup>2</sup>.

#### *Operating measures and performance:*

In 2018, total assets of Haitong UT exceeded RMB80 billion. It achieved a 32% year-on-year increase in operating revenue and a 10% year-on-year increase in net profit. In terms of the business model, Haitong UT has formed a business model of the specialised function of the business headquarters and the marketing function of branch offices. Investment made by branches has already exceeded that made by the headquarters. Meanwhile, Haitong UT reinforced its presence in overseas markets and enhanced the strategic positioning of its subsidiaries in Hong Kong. For the overseas business, it completed leasing of five aircraft in the year, with an investment of RMB2.6 billion. In terms of the business structure, Haitong UT optimised asset allocation by focusing on the main business. The investment in the retail business represented by car rental has exceeded half of the total investment. In terms of risk control, Haitong UT completed the optimisation of the project evaluation mechanism from the two aspects of organisational structure and industry distribution, and strengthened the capability of managing stock assets from the two aspects of optimising the monitoring model and IT construction. Haitong UT obtained a corporate credit rating of AAA for two consecutive years with a rating outlook of “stable”, and received the official reply from the CSRC in relation to the approval of the issuance of overseas listed foreign shares in February 2019.

<sup>2</sup>

Source: The Report on the Development of Financial Leasing Industry in China 2018 released by China Leasing Union, United Leasing Research and Development Center and Tianjin Binhai Financial Leasing Research Institute.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

## Analysis of the consolidated statement of profit or loss

## (1) Composition of revenue

Unit: RMB'000

Items	2018	2017	Increase/ Decrease Amount	Increase/ Decrease Percentage
Commission and fee income	<b>9,852,687</b>	11,225,083	-1,372,396	-12.23%
Interest income	<b>14,248,355</b>	12,448,565	1,799,790	14.46%
Finance lease income	<b>3,698,412</b>	2,675,752	1,022,660	38.22%
Investment income and gains (net)	<b>3,483,520</b>	9,327,622	-5,844,102	-62.65%
Other income and gains	<b>7,386,733</b>	5,647,480	1,739,253	30.80%
<b>Total revenue and other income</b>	<b>38,669,707</b>	41,324,502	-2,654,795	-6.42%

In 2018, the Group recorded the total revenue and other income of RMB38,670 million, representing a year-on-year decrease of RMB2,655 million or 6.42% primarily due to the drop of the securities market and the decrease of trading volume of stocks and funds.

## a. Commission and fee income

Unit: RMB'000

Items	2018	2017	Increase/ Decrease Amount	Increase/ Decrease Percentage
Commission and fee income of securities brokerage business	<b>3,840,583</b>	4,958,296	-1,117,713	-22.54%
Commission and fee income of futures brokerage business	<b>426,214</b>	511,907	-85,693	-16.74%
Financial advisory and consultancy fee income	<b>1,154,101</b>	1,140,135	13,966	1.22%
Underwriting and sponsors fees	<b>2,390,967</b>	2,467,057	-76,090	-3.08%
Asset management fee income (including fund management income)	<b>1,925,194</b>	2,098,349	-173,155	-8.25%
Other	<b>115,628</b>	49,339	66,289	134.35%
<b>Total commission and fee income</b>	<b>9,852,687</b>	11,225,083	-1,372,396	-12.23%



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

Commission and fee income amounted to RMB9,853 million, representing a decrease of RMB1,372 million or 12.23% as compared to the corresponding period of last year, mainly due to the decrease of commission and fee income of securities brokerage business as a result of the decline of trading volume in securities markets.

*b. Interest Income*

Interest income amounted to RMB14,248 million, representing an increase of RMB1,800 million or 14.46% as compared to the corresponding period of last year, mainly due to the increase of interest income of financial assets held under resale agreements.

*c. Investment Gains (Net)*

Investment gains (net) amounted to RMB3,484 million, representing a decrease of RMB5,844 million or 62.65% as compared to the corresponding period of last year, mainly due to the decrease of investment gains arising from financial assets as affected by falling of securities market Index in 2018.

### Statement of the Principal Businesses of the Group

#### Principal businesses by segment

Unit: RMB'000

By segment	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to last year	Segment expense movement as compared to last year	Segment profit margin movement as compared to last year
Wealth management business	14,030,732	9,099,135	35.15%	-3.66%	-10.12%	Increase by 4.66 percentage points
Investment banking business	3,819,410	2,522,163	33.96%	-9.89%	-20.77%	Increase by 9.07 percentage points
Asset management business	2,317,824	1,241,308	54.89%	2.35%	-6.83%	Increase by 4.71 percentage points
Trading and institutional client business	7,356,346	8,481,433	-17.99%	-38.19%	17.10%	Decrease by 61.20 percentage points
Financial leasing business	5,688,015	4,371,748	23.77%	42.13%	48.94%	Decrease by 3.41 percentage points
Others	5,457,380	5,416,263	0.75%	25.33%	25.20%	Increase by 0.09 percentage point

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

*Principal businesses by region*

Unit: RMB'000

By region	Segment income	Segment expense	Segment profit margin	Segment income movement as compared to last year	Segment expense movement as compared to last year	Segment profit margin movement as compared to last year
Domestic business	25,415,426	20,152,090	21.48%	-13.58%	4.49%	Decrease by 13.93 percentage points
Overseas business	13,254,281	10,979,960	15.93%	11.25%	11.39%	Decrease by 4.84 percentage points
Sub-total	38,669,707	31,132,050	19.58%	-6.42%	6.82%	Decrease by 11.61 percentage points

**(2) Composition of expenses**

Unit: RMB'000

Total expenses	2018	2017	Increase/Decrease	
			Amount	Percentage
Depreciation and amortisation	558,166	485,337	72,829	15.01%
Staff costs	5,929,829	6,400,066	-470,237	-7.35%
Commission to account executives	504,297	688,301	-184,004	-26.73%
Brokerage transaction fees and other services expenses	834,025	980,583	-146,558	-14.95%
Interest expenses	13,126,493	11,458,392	1,668,101	14.56%
Impairment losses and net of reversal	–	1,686,658	-1,686,658	-100.00%
Expected credit losses	1,622,167	–	N/A	N/A
Impairment losses on other assets	25,060	–	N/A	N/A
Other expenses	8,532,013	7,444,255	1,087,758	14.61%
Total	31,132,050	29,143,592	1,988,458	6.82%

In 2018, total expenses of the Group amounted to RMB31,132 million, representing an increase of RMB1,988 million and 6.82% as compared to that for the same period in 2017. The slight change was mainly due to the increase of interest expenses. Interest expenses amounted to RMB13,126 million, increasing by RMB1,668 million or 14.56% compared with the same period in 2017, mainly due to the increase of interest expenses from bonds payable.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

In 2018, the Group achieved a net profit attributable to owners of the Company of RMB5,211 million, representing a year-on-year decrease of 39.54%. The Group realized basic earnings per share of RMB0.45, decreasing by 40% year-on-year; weighted average return on net assets was 4.42%, decreasing by 3.14 percentage points year-on-year.

### (3) Public welfare contributions

In 2018, the Group contributed a total of RMB10,083 thousand in public welfare areas including environmental protection, disaster relief donations, education subsidies and charity donations.

#### Breakdown of public welfare contributions for 2018

Unit: RMB'000

<b>Item</b>	<b>Amount during the Reporting Period</b>
Charity donations	<b>10,083</b>
Total	<b>10,083</b>

### (4) Cash flow

In 2018, the Group's net cash and cash equivalents increased by RMB6,039 million, in which:

- (1) the net cash from operating activities was RMB5,198 million, which was mainly due to the cash inflow of RMB9,135 million caused by the change in the Group's operating capital. The increase in the working capital of the Group was mainly attributable to:
  - an operating cash inflow of RMB24,758 million due to the increase in financial assets sold under repurchase agreements, and an operating cash inflow of RMB13,823 million due to the decrease in financial assets held under resale agreements;
  - an operating cash inflow of RMB12,641 million due to the decrease in advances to customers on margin financing;
  - an operating cash outflow of RMB48,913 million due to the net increase in financial assets and liabilities at fair value through profit or loss.
- (2) Net cash used in investing activities was RMB6,771 million, which was mainly due to a cash outflow of RMB4,669 million caused by the net increase in debt instruments at fair value through other comprehensive income.
- (3) Net cash from financing activities was RMB7,613 million, which was mainly due to the cash inflow of RMB10,840 million from the net increase in the Group's borrowings, bonds payables and short-term financing bills payables.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

## Analysis on principal components of the consolidated statement of financial position

## 1. Analysis of major items in the consolidated statement of financial position

Unit: RMB'000

	2018		2017		Increase/Decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
<b>Non-current assets</b>	<b>113,939,923</b>		111,531,177		2,408,746	2.16%
Of which: finance lease receivables	30,824,664	5.36%	22,212,628	4.15%	8,612,036	38.77%
Available-for-sale investments	-	-	31,725,358	5.93%	-31,725,358	-100.00%
Equity instruments at fair value through other comprehensive income	15,228,291	2.65%	-	-	15,228,291	N/A
Debt instruments at fair value through other comprehensive income	5,768,988	1.00%	-	-	5,768,988	N/A
Other loans and receivables	5,647,819	0.98%	8,098,697	1.51%	-2,450,878	-30.26%
Investments accounted for using equity method	5,312,881	0.92%	10,062,370	1.88%	-4,749,489	-47.20%
Financial assets held under resale agreements	11,002,055	1.91%	21,204,776	3.97%	-10,202,721	-48.12%
Property and equipment	6,044,423	1.05%	2,862,370	0.54%	3,182,053	111.17%
Loans and advances	3,744,563	0.65%	4,086,897	0.76%	-342,334	-8.38%
Goodwill	4,046,190	0.70%	3,863,520	0.72%	182,670	4.73%
<b>Current assets</b>	<b>460,683,711</b>		423,175,156		37,508,555	8.86%
Of which: bank balances and cash	97,423,052	16.95%	99,358,329	18.58%	-1,935,277	-1.95%
Clearing settlement funds	7,646,561	1.33%	7,982,729	1.49%	-336,168	-4.21%
Financial assets at fair value through profit or loss	158,837,008	27.64%	98,904,357	18.50%	59,932,651	60.60%
Advances to customers on margin financing	48,861,009	8.50%	61,560,953	11.51%	-12,699,944	-20.63%
Accounts receivable	8,257,214	1.44%	7,442,000	1.39%	815,214	10.95%
Financial assets held under resale agreements	71,676,737	12.47%	75,345,093	14.09%	-3,668,356	-4.87%
Finance lease receivables	30,828,048	5.36%	21,323,548	3.99%	9,504,500	44.57%
Available-for-sale investments	-	-	9,503,398	1.78%	-9,503,398	-100.00%
Debt instruments at fair value through other comprehensive income	9,362,242	1.63%	-	-	9,362,242	N/A
Deposits with exchanges	5,601,350	0.97%	7,180,974	1.34%	-1,579,624	-22.00%
Derivative financial assets	1,780,757	0.31%	2,610,612	0.49%	-829,855	-31.79%
Other loans and receivables	14,043,711	2.44%	21,147,878	3.96%	-7,104,167	-33.59%
<b>Total assets</b>	<b>574,623,634</b>		534,706,333		39,917,301	7.47%

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

	2018		2017		Increase/Decrease	
	31 December	Composition	31 December	Composition	Amount	Percentage
<b>Current liabilities</b>	<b>301,851,733</b>		259,410,417		42,441,316	16.36%
Of which: accounts payable to						
brokerage clients	71,893,535	16.18%	83,774,388	20.68%	-11,880,853	-14.18%
Financial assets sold under repurchase agreements	56,372,903	12.68%	32,645,727	8.06%	23,727,176	72.68%
Borrowings	52,489,162	11.81%	45,511,447	11.24%	6,977,715	15.33%
Placements from banks and other financial institutions	8,482,577	1.91%	5,450,000	1.35%	3,032,577	55.64%
Financial liabilities at fair value through profit or loss	23,862,827	5.37%	20,031,099	4.95%	3,831,728	19.13%
Derivative financial liabilities	2,218,774	0.50%	3,495,454	0.86%	-1,276,680	-36.52%
Other payables and accruals	13,455,014	3.03%	17,457,987	4.31%	-4,002,973	-22.93%
Short-term financing bills payables	26,537,968	5.97%	29,426,762	7.27%	-2,888,794	-9.82%
Customer accounts	2,160,326	0.49%	3,750,621	0.93%	-1,590,295	-42.40%
Tax liabilities	1,535,337	0.35%	2,198,613	0.54%	-663,276	-30.17%
Bonds payable	41,923,410	9.43%	14,739,105	3.64%	27,184,305	184.44%
<b>Net current assets</b>	<b>158,831,978</b>		163,764,739		-4,932,761	-3.01%
<b>Non-current liabilities</b>	<b>142,585,982</b>		145,601,612		-3,015,630	-2.07%
Of which: bonds payable	98,223,447	22.10%	115,419,164	28.50%	-17,195,717	-14.90%
Long term borrowings	27,714,158	6.24%	15,810,543	3.90%	11,903,615	75.29%
Financial assets sold under repurchase agreements	-	-	400,000	0.10%	-400,000	-100.00%
Financial liabilities at fair value through profit or loss	2,338,127	0.53%	712,400	0.18%	1,625,727	228.20%
Placements from banks and other financial institutions	6,241,519	1.40%	6,361,639	1.57%	-120,120	-1.89%
<b>Total liabilities</b>	<b>444,437,715</b>		405,012,029		39,425,686	9.73%
<b>Total equity</b>	<b>130,185,919</b>		129,694,304		491,615	0.38%

\* Percentages for assets and liabilities refer to the share of the total assets and the share of the total liabilities respectively

As of 31 December 2018, the total assets of the Group amounted to RMB574,624 million, representing an increase of RMB39,917 million or 7.47% as compared to the end of 2017, and the total liabilities of the Group amounted to RMB444,438 million, representing an increase of RMB39,426 million or 9.73% as compared to the end of 2017.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

As of 31 December 2018, the non-current assets of the Group were RMB113,940 million, representing an increase of 2.16% as compared to the end of 2017, mainly due to the increase of equity instruments at fair value through other comprehensive income. The current assets of the Group were RMB460,684 million, representing an increase of 8.86% as compared to the end of 2017, mainly due to the increase of financial assets at fair value through profit or loss. The current liabilities of the Group were RMB301,852 million, representing an increase of 16.36% as compared to the end of 2017, mainly due to the increase of bonds payable and financial assets sold under repurchase agreements. The net current assets of the Group were RMB158,832 million, representing a decrease of 3.01% as compared to the end of 2017. The non-current liabilities of the Group were RMB142,586 million, representing a decrease of 2.07% as compared to the end of 2017, mainly due to the decrease of bonds payable.

As of 31 December 2018, the Group's equity attributable to shareholders of the Company was RMB117,859 million, representing an increase of RMB103 million or 0.09% as compared to the end of 2017; excluding the influencing of accounts payable to brokerage customers, the Group's gearing ratio was 74.10%, representing an increase of 2.86 percentage points as compared to 71.24% as at the end of the year. The Group's asset-liability structure remained relatively stable.

### *Borrowings and bond financing*

As of 31 December 2018, the Group's total borrowings and bond financing amounted to RMB246,888 million. The following table sets forth the Group's borrowings and bond financing details as at the end of December 2018:

	<b>31 December 2018</b>	<i>Unit: RMB'000</i> 31 December 2017
Bonds payable	<b>140,146,857</b>	130,158,269
Borrowings	<b>80,203,320</b>	61,321,990
Short-term financing bills payables	<b>26,537,968</b>	29,426,762
<b>Total</b>	<b>246,888,145</b>	220,907,021

For the interest rates and maturities of the borrowings and debt financing, please refer to the attached Notes 48, 49 and 50 to the Consolidated Financial Statement of this Report.

As at the end of 31 December 2018, the Group's borrowings, short-term financing bills payables and bonds payable due within one year amounted to RMB120,951 million, and the Group's net current assets, net of liabilities such as bonds payable, borrowings and short-term financing bills payables due within one year, amounted to RMB158,832 million. Therefore, liquidity risk exposure of the Group was immaterial.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

Save as the liabilities disclosed in this Report, as at 31 December 2018, the Group had no outstanding mortgage, charges, bonds, other debt capital, liabilities under acceptance or other similar indebtedness, lease purchase and financial leasing commitment, guarantee or other material contingent liabilities.

### (II) Analysis of industry business information

For details, please refer to the relevant contents in Section III and Section IV in this report.

### (III) Analysis on investment

At the end of the Reporting Period, the Group's long-term equity investment was RMB5,313 million, representing a decrease of RMB4,749 million and 47.20% as compared to the end of the previous year (RMB10,062 million), mainly due to the decrease of investment by subsidiaries of Haitong International Holdings. For Long-term equity investment, please refer to Notes 24 to the Consolidated Financial Statements to this Report.

#### (1) Significant equity investment

Unit: RMB'000

Name of the company	Shareholding in the company	Carrying value as at the end of the period	Profit and loss in the Reporting Period	Changes in equity of owners in the Reporting Period
Fullgoal Fund Management Co., Ltd.	27.775%	942,400	195,531	-1,496

- Note:
1. Profit or loss in the Reporting Period refers to the impact on the consolidated net profit of the Company during the Reporting Period caused by such investment.
  2. Changes in equity of owners in the Reporting Period do not include the impact on the profit or loss during the Reporting Period.

#### (2) Material non-equity investment

During the Reporting Period, the Company had no material non-equity investment.

#### (3) Financial instruments at fair value through profit or loss

The financial assets at fair value is mainly consist of financial assets at fair value through profit or loss of RMB177,205 million, financial liabilities at fair value through profit or loss of RMB26,201 million, equity instruments at fair value through other comprehensive income of RMB15,228 million, debt instruments at fair value through other comprehensive income of RMB15,131 million, and derivative financial assets of RMB-438 million.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (IV) Significant assets and equity disposal

✓ Not applicable

### (V) Analysis of principal holding subsidiaries or joint-stock companies

1. HFT Investment, with a registered capital of RMB300 million, in which Haitong Securities owned 51% equity interests. As at 31 December 2018, HFT Investment had total assets of RMB1,787 million and net assets of RMB1,243 million. In 2018, it recorded an operating income of RMB663 million, with a net profit of RMB172 million.
2. Fullgoal Fund, with a registered capital of RMB520 million, in which Haitong Securities owned 27.775% equity interests. As at 31 December 2018, Fullgoal Fund had total assets of RMB4,702 million, net assets of RMB3,393 million. In 2018, it recorded an operating income of RMB2,381 million, with a net profit of RMB704 million.
3. Haitong-Fortis PE, with a registered capital of RMB100 million, in which Haitong Securities owned 67% equity interests. As at 31 December 2018, Haitong-Fortis PE had total assets of RMB234 million, net assets of RMB189 million. In 2018, it recorded an operating income of RMB127 million, with a net profit of RMB55 million.
4. Haitong Futures, with a registered capital of RMB1,301.5 million (RMB1,300 million as at the end of 2018), in which Haitong Securities owned 66.667% equity interests. As at 31 December 2018, Haitong Futures had total assets of RMB20,730 million, net assets of RMB2,801 million. In 2018, it recorded an operating income of RMB6,259 million, with a net profit of RMB330 million.
5. Haitong International Holdings, with a registered capital of HKD11,180 million (HKD8,850 million as at the end of 2018), in which Haitong Securities owned 100% equity interests. As at 31 December 2018, Haitong International Holdings had total assets of HKD287,775 million, net assets attributable to the parent company of HKD12,171 million. In 2018, it recorded an income of HKD14,854 million, with a net profit of HKD1,666 million.
6. Haitong Capital, with a registered capital of RMB10,650 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2018, Haitong Capital had total assets of RMB16,597 million, net assets attributable to the parent company of RMB13,352 million. In 2018, it recorded an operating income of RMB294 million, with a net profit of RMB188 million.
7. Haitong Innovation Securities, with a registered capital of RMB4,100 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2018, Haitong Innovation Securities had total assets of RMB5,087 million, net assets of RMB5,100 million. In 2018, it recorded an operating income of RMB-524 million, with a net profit of RMB-418 million.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

8. Haitong Asset Management, with a registered capital of RMB2,200 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2018, Haitong Asset Management had total assets of RMB7,065 million, net assets of RMB3,654 million. In 2018, it recorded an operating income of RMB826 million, with a net profit of RMB472 million.
9. Shanghai Weitai Properties, with a registered capital of RMB10 million, in which Haitong Securities owned 100% equity interests. As at 31 December 2018, Shanghai Weitai Properties had total assets of RMB136 million, net assets of RMB10 million. In 2018, it recorded an operating income of RMB46 million, with a net profit of RMB77,300.

### (VI) Structured entities controlled by the Company

#### 1. *Establishment of special purpose entities controlled by the Company during the Reporting Period*

During the Reporting Period, the Company has not established any special purpose entities which are controlled by the Company.

#### 2. *Structured entities or operating entities that were controlled through entrusted operations*

The Company has recognised and included 31 structured entities (which are managed by the Company's subsidiaries) in its consolidated financial statements, considering the variable returns to which the companies in the consolidated financial statement are entitled and the risks to which they are exposed from such structured entities.

### (VII) Others

#### 1. *Establishment and disposal of the business departments, branches and subsidiaries of the Company during the Reporting Period*

During the Reporting Period, the Company did not establish or open any new securities branches, and as at the end of the Reporting Period, the Company had 27 securities branch offices and 290 securities branches (please refer to Appendix II of this Report for details).

#### 2. *Explanation on account standardisation*

During the Reporting Period, the Company has further strengthened the management on newly-opened accounts, and effectively prevented non-standard accounts by standardising the processes and enhancing supervision, review, etc. The Company also made further clean-up of unqualified accounts, small-amount-dormant accounts and dormant accounts without risk management which have been put in separated reserve category. During the Reporting Period, the Company has totally cleaned up 65 unqualified capital accounts (including 43 unqualified cash-only accounts), 812 small-amount-dormant capital accounts (including 118 cash-only small-amount-dormant accounts), and 150 dormant accounts without risk management. As at 31 December 2018, the Company still had 25,953 unqualified capital accounts (including 22,934 unqualified cash-only capital accounts), 1,541,481 small-amount-dormant capital accounts (including 445,320 cash only small-amount-dormant capital accounts) and 97,627 dormant accounts without risk management.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 3. *Development of innovative business*

Adhering to promoting transformation by innovation, the Company achieved various business innovation:

- (1) The Company actively promoted the innovations advocated by the regulatory authorities. The Company was the first securities company in the industry to propose a bail-out plan model, which firstly initiated the asset management plans to support private enterprises. The subsidiary of HFT Investment issued the first municipal securities ETF in the PRC – the SSE 10-year Municipal Securities ETF (上證10年期地方債ETF), which became the largest bond index fund in the past four years. Haitong Futures acquired the qualification of copper option brokerage in Shanghai Futures Exchange, and Haitong Resource obtained the qualification of copper option and nickel futures market maker in Shanghai Futures Exchange and the qualification of PTA futures market maker in Zhengzhou Commodity Exchange.
- (2) The Company continuously accelerated its proprietary innovations so as to provide innovative business solutions to customers. With strong innovative ability in bond financing under its belt, the Company successfully completed design and underwriting of the first shelf asset securitisation product for creditor's right under the finance lease of small and micro enterprises, the first cost-connected bond and the first special bond with approval for PPP projects in the PRC. The Company's app "e-HaitongCai" won many awards such as 2018 Securities Company Outstanding APP Award and 2018 Securities Company Top Ten Branded APP. The wide variety of intellectual investment functions independently developed based on the aforesaid app can provide a series of transaction assistance tools, which was leading in the industry in terms of the number of strategies, the number of factors and the extent how far customer demand could be met.
- (3) The Company also maintained a leading edge in the industry with its innovative businesses. The total scale of the Company's agreed repurchase, stock pledge and repurchase and other customer financing businesses continued to stay at the forefront of the industry. The number and scale of over-the-counter products were also on a leading edge in the industry. The Company continued to promote innovative businesses, effectively resisting the adverse effects brought by the decline in traditional business income.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### III. DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

#### (I) Industry layout and trend

Given the long term trend of transforming from an indirect financing-oriented model to a direct financing-oriented model and the increasing demand for cross-border investment and financing, and with the Chinese economy transforming from emphasising fast-growth to emphasising high-quality development, assets accumulated by enterprises and wealth accumulated by individuals under the phase of rapid economic growth will provide huge potential for the development of the capital market and the securities companies. With the onset of the market-oriented reform of the A share IPO system signified by the launch of the Sci-Tech Innovation Board and the launch of pilot Registration-based IPO System, the Company's business segments including the general investment banking, general asset management, private equity investments, alternative investments and cross-border business will benefit from more promising development opportunities. On the other hand, driven by the continuous regulatory scrutiny, rapid development of fin-tech, the opening up of the industry, and the introduction of new regulations on asset management, the profit generation fundamentals in the securities industry development will undergo profound changes, and the room for development of the securities industry will be squeezed in the short term coupled with more fierce market competition. The development of the securities industry is expected to witness the following trends: the two-way opening up and liberalisation of the capital market and the international development of the market and customers will greatly accelerate the process of internationalisation of securities companies, along with more cross-border simultaneous linkages; the integration of industry will accelerate, which will result in increased market concentration and more intense competition among industry leaders and differentiation of operations in terms of capital drives, integrated services and fin-tech; the traditional profit generating model heavily relied upon operating licences and regulation will be phased out gradually, while the profit generating model in the industry will be transformed into a capital-driven intermediary model relying on capital advantage, customer base and professional services capability; under a growing asset management and wealth management market featured by institutionalisation of retail investors with huge potential, proactive management capabilities and product design capabilities will become the core competitiveness of the securities companies; as businesses of securities companies such as product offerings, service models and geographic coverage are increasingly complex, the importance of ensuring compliance and risk management and fin-tech will be more significant to the sustainable development of various businesses.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (II) Development strategy of the Company

Under the background of transformation, the Company's overall development strategy shall be concluded as follows: adhering to customer focus; focusing on intermediary businesses such as brokerage, investment banking and asset management as core businesses; developing capital intermediary business and investment business as the wings which will draw upon conglomerate, internationalisation and informatisation as the driving force; reinforcing the four "pillars" including compliance and risk management, talent, IT and research. Meanwhile, the Company will enhance its capability building in five areas including capital and investment management, investment banking underwriting and sales pricing, assets management, institutional brokerage and sales transaction and wealth management in order to build an intelligent Haitong. With the mission of developing a world-class investment bank, we are committed to transforming Haitong into a leading domestic and globally influential Chinese benchmark investment bank.

### (III) Business plan of the Company

In 2019, the Company will, under the guidance of overall strategy, firmly leverage the fundamentals of China's economic resilience, and step up its efforts to serve the real economy, and play its part in realising the transformation and upgrading China's economic structure, and to prevent financial risks and enhance its comprehensive financial services capabilities at home and abroad. The Company will actively seize the staged opportunities brought on by the boosted market capital and sentiments, strengthen customer service, speed up project implementation and strive to increase revenue; the Company will closely follow changes brought on by areas such as Sci-Tech Innovation Board, Registration-based IPO System, new regulations of asset management, transformation of wealth management, which may have material impacts on industry development; the Company strives to actively meet the challenges and seize the opportunities based on the development trends in investment banking, asset management and brokerage business industries; the Company vows to deepen its reform and take the initiative to embrace change, and put its focus on solving the problems of institutional mechanisms that may hinder the development of the Company, and motivate the enthusiasm and vitality of senior management and employees; the Company will steadily advance the construction of infrastructure in terms of science and technology, talents and systems, enhance its financial service abilities and capabilities and lay a solid foundation for the Company to achieve high quality and sustainable development.

The Company will focus on the following key tasks: grasping opportunities in innovation and development to reinforce the market position of its investment banking business; putting customers first and utilising products as link to accelerate the transformation of brokerage business to wealth management; taking advantage of "bail-out" timing and further refining the value chain of share pledge business; fostering business highlights and to creating professional brands for each subsidiary of the asset management business; steadily enhancing its international management and operation capabilities; enhancing its business layout, and facilitating the high-quality development of the leasing business; further strengthening the building of a talent team and providing human resources backup for the sustainable development of the Company; comprehensively improving its compliance and risk management capabilities; strengthening asset-liability management and improving the efficiency of operation and management; accelerating the development of technology-driven investment banks and promoting the implementation of major projects.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (IV) Potential risks and prevention measures

#### 1. *Risks exposed to the Company in operating activities and measures taken*

The risks faced by the Company in business operation activities mainly include: compliance risk, money laundering and terrorism financing risk, credit risk, market risk, operational risk, liquidity risk and reputation risk, which are mainly represented in the following aspects:

##### (1) *Compliance risk*

The compliance risk mentioned in the Management Measures for the Compliance of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) refers to the risk that the securities fund management company may be investigated for legal liabilities, subjected to regulatory measures, disciplinary actions, or suffers property loss or reputation loss due to violation of laws, regulation and rules due to the management or practices of the securities fund management company or its staff.

The Company has established scientific and reasonable compliance management framework systems with clear responsibilities according to the compliance management regulatory requirements and the practical circumstances of the Company. The Compliance Officer is a member of the senior management of the Company who is responsible for compliance management. The Compliance and Legal Department performs the duty of compliance management according to the regulations of the Company and the arrangement of the Compliance Officer. The Company has developed the Management Measures for the Compliance of Haitong Securities Co., Ltd. and relevant supporting compliance management systems, and assigned compliance management personnel to strictly carry out the compliance management for each business line. These measures serve to strengthen the enforcement of different systems, mechanisms and processes via prior review, in-process monitoring and post-action inspection, assessment and investigation. In addition, the Company enhanced the policy communication and compliance promotion so as to create a business environment of "Full Compliance and Active Compliance".

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (2) *Money laundering and terrorism financing risk*

The Guidelines for Management of Money Laundering and Terrorism financing risk of Corporate Financial Institutions (Trial) (《法人金融機構洗錢和恐怖融資風險管理指引(試行)》) sets out specific requirements for management of money laundering, terrorism financing and proliferation financing risks. The Company has always adhered to the work principle of taking risk prevention as its first priority, and strictly adopted relevant measures to control the risks of money laundering and terrorism financing in accordance with anti-money laundering laws and regulations. The Company has developed a relatively well-established anti-money laundering internal control system, which consists of 1 basic system, 2 implementation rules and 13 anti-money laundering special systems, and incorporated the relevant anti-money laundering contents in the Company's document management, compliance assessment and punishment rules. The Company has established an anti-money laundering organisation framework through, which tasks on anti money-laundering coordinated and led by the anti-money laundering leading group at Company's headquarters, and is organised by the compliance and legal department, and implemented by the anti-money laundering work leading group of the relevant business departments and branches.

During the Reporting Period, the Company diligently fulfilled its anti-money laundering obligations by strictly enforcing anti-money laundering laws and regulations, actively organised and carried out various tasks to resolve anti-money laundering, such as customer ID identification, customer risk classification, customer ID data and transaction record keeping, suspicious transaction reports, advertising and trainings on anti-money laundering, and took an active part in the FATF assessment of China's anti-money laundering by carrying out money laundering risk assessment on its business, and organising group procurement and controlling checking against the anti-money laundering blacklist, as well as conducting identification of beneficiary owners; and further evaluating and optimising suspicious transaction monitoring models and systems. Various anti-money laundering work were carried out in an orderly manner.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### (3) *Credit risk*

Credit risk refers to the risk that the Company may suffer loss since the borrower, counterparty or debt issuer fails to perform the stipulated financial obligations. Credit risk correlates with market risk to certain extent. The credit risk exposure of the Company on possession and trading of certain financial products would also change with market fluctuations. As such, the Company has adopted necessary monitoring and preventive measures on market fluctuations, in order to effectively manage credit risk.

Credit risk faced by the Company mainly relates to the failure to perform duties by customers, counterparties or debt issuers in the course of business such as self-owned monetary funds deposited in other financial institutions, transaction settlements from customers in trading of securities on behalf of customers, and providing margin financing and securities lending services and stock repurchase and stock pledged repurchase transaction services to customers, bond investment and derivative transactions. The Company may face losses if the above transaction have circumstances of failing to perform due to customers, the counterparties or debt issuers.

The Company's monetary funds are mainly deposited in state-owned commercial banks or joint-stock commercial banks with good reputation, while the clearing settlement funds are deposited in the China Securities Depository and Clearing Corporation Limited. Therefore, the Company's cash and cash equivalents are facing a relatively low credit risk. In terms of securities brokerage business, trading is settled under gross margin for credit risk avoidance. For margin financing and securities lending business, stock repo transaction and stock pledged repo business, credit risk involved in the business are controlled through the establishment and enforcement of various strict systems and measures in areas as due diligence, credit assessment, credit approval, daily mark-to-market, mandatory liquidation of positions, credit enhancement and judicial recourse. The Company emphasises diversified investment in terms of credit type fixed income securities, with its existing investments comprised mainly of high credit rating products, and keeps a close track of the operating conditions and credit rating changes of investees. Therefore, credit risks associated with the investment subjects are under well control. In terms of over-the-counter derivatives business, the Company established a sound regulation system covering areas including customer access, subject securities management, counterparty credit management and risk handling procedure and conducted daily mark-to-market evaluation throughout the term of each over-the-counter derivative trade and managed credit risk by adopting robust pre-warning, stop loss policy and other measures.



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In addition to the aforesaid risk factors, several subsidiaries of the Group are also exposed to credit risk when carrying out financing business, investment business, leasing business, over-the-counter derivatives business and other businesses. The Group has established and issued Management Measures on (Group) Credit Risk of Haitong Securities Co., Ltd, to clarify the structure and responsibility of group credit risk management and set up management mechanisms such as group credit risk identification, assessment, monitoring and reporting. Based on the Company's unified risk preference, the relevant subsidiaries have developed systems, measures and procedures for credit risk control based on their business features and have set risk limits according to credit risk exposure, which are to be implemented after the examination and approval of the Company. According to the Group's overall planning for comprehensive risk management, the Company gradually enhanced and improved credit risk management of the Group from such aspects as system building, limit system, monitoring mechanism, information system and risk report.

### (4) *Market risk*

Market risk mainly refers to the risk of loss of its self-owned funds investment due to adverse changes in market prices (stock prices, interest rates, exchange rates, etc.) in the Company's business activities.

- A. Stock price risk. Stock price risk mainly refers to the risk of changes in the market price of the equity securities invested which could bring loss to the Company. The businesses with such risk mainly include equity securities proprietary trading business, market-making business and over-the-counter derivatives business, etc. With high uncertainties, stock price risk is one of the major market risks that the Company faces. The Company closely monitors the price fluctuation of relevant assets and has adopted relevant preventive measures.

In 2018, stock market in the PRC continued to decline. Taking SSE Composite Index as an example, it opened at 3,314.03 points at the beginning of 2018, followed by a bottom drop at 2,449.20 points and closed at 2,493.90 points at the end of December, with a cumulative decline of 24.59%. In the same period, the SSE 50 Index declined 19.83%, CSI 300 Index declined 25.31%, the SME index declined 37.75%, and the GEM index declined 28.65%.

The Company tracks any variation in investment scale and value-at-risk (VaR) of securities positions on a daily basis to monitor the impact of relevant risks. By implementing diversified investment strategies, the Company properly controlled and timely adjusted total investment amounts of various securities.



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- B. Interest rate risk. Interest rate risk refers to the risk resulting from market interest rate fluctuations. The Company's assets which are exposed to interest rate risk mainly include monetary deposits, bond investment and debt issuance, etc. In 2018, the ChinaBond Composite Full-price Index had experienced widespread fluctuations. It had an upward trend throughout the year and rose to the range topside at the end of the year. The ChinaBond Composite Full-price Index closed at 118.80 points at the end of the year, with a rise of 4.68% from that at the end of last year. Compared with the end of last year, the yield to maturity of ChinaBond 5-year Treasury Bond reduced by about 88bp to 2.97%, and the yield to maturity of ChinaBond 10-year Treasury Bond reduced by about 65bp to 3.23% comparing with the end of the previous year. The Company managed interest rate risk by employing methods such as size control and investment portfolio re-balancing to achieve a reasonable allocation of assets, to match the maturities of liabilities and assets and by evaluating interest rate risk through regular measurement of indicators such as duration, convexity and DV01 of investment portfolios.
- C. Exchange rate risk. Exchange rate risk refers to the risk resulting from changes in foreign exchange rates. With the international expansion of the Company, the exchange rate risk is becoming evident. Apart from the Company's overseas equity investments, the headquarters, subsidiaries and affiliates also increased the debts scale in foreign currencies by issuing foreign currency bonds and other means, resulting in the increased size of foreign currencies of the Group as a whole and difficulties in management. The Company continued to monitor and study the latest developments in the foreign exchange market and constantly optimised system construction and internal management, taking various measures to hedge and releasing exchange rate risks to support the Company's overseas business development. The Company also focused on the natural match between foreign currency assets and liabilities from the Group level to reduce the foreign exchange risk exposure. At the same time, the Company also adopted accounting treatments, for example, hedges of net investment in overseas operations and other means, to smooth the influence of foreign exposure on the Group's operating results. As at the end of the Reporting Period, the Group's exchange rate risk had no material impact on the financial statements.

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Save as the above-mentioned risk factors, overseas investment businesses conducted by the Group are also exposed to relevant market risks. Fluctuations of each element of market risk around the world may affect the overall profit or loss of the Group. The Company established and issued Management Measures on (Group) Market Risk of Haitong Securities Co., Ltd, continued to improve procedures of market risk identification, assessment, measurement, monitoring, response and reporting from the Group level, as well as to include the investment businesses of subsidiaries into the overall market risk management system. In terms of investment businesses conducted by the subsidiaries of the Group, the respective subsidiaries formulated and implemented the corresponding risk limits and risk management policies upon examination and approval by the parent company. At the same time, the subsidiaries need to report to the parent company about the implementation of risk limits on a regular basis.

### (5) *Operational risk*

Operational risk refers to the risk associated with losses arising from the defects of the internal processes, misoperation or misconduct of employees, information system defects or external events. Among which information technology risk refers to the risk of losing the availability and integrity of information systems due to system interruption or slow operation and the risk of disclosure of confidential information in the information systems as a result of external attacks to the server. Information technology risk is an important component of the present operational risks. Information technology is critical to the business development and management of securities trading, settlement and service, etc. The Company will suffer losses due to unreliable system, default network technology and data error. In addition, the Company is also faced with the risk of being prosecuted for legal liability, being imposed regulatory measures, being enforced disciplinary sanctions, or suffering property or reputation loss due to its or its employees' violation of laws, regulations or norms in business operations or performance of duty.

The Company adheres to improving the building of operational risk management system. To further enhance the operational risk management level, the Company established and issued Management Measures on (Group) Operational Risk of Haitong Securities Co., Ltd., which helps to improve the Group's operational risk management level before, during and after the relevant incidents by making use of three major operational risk management tools (including Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRI) and Loss Data Collection (LDC)). While conducting RCSA within the Group, the Group proactively identified operational risk, assessed inherent risk level, implemented self-assessment in terms of concerning the effectiveness of risk control measures, and measured the remaining risk level to form a risk heat map. The Company established and continued to improve KRI system while collecting and tracking the indicators and their changes regularly. The Group conducted LDC of operational risk within the Group and implemented unified collection of the operation risk incidents in the system to assess the loss level of the relevant risk incidents as well as followed up their rectification condition.



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In addition, the Company continued to improve its internal control management mechanism, enhance system building, regulate the operational processes, strengthen inspection and audit, and strengthen its accountability system, to reduce the possibility of operational risks and actively and properly address the adverse effects brought by any such event in accordance with such regulatory provisions as the Guidelines for Internal Control of Securities Company issued by the CSRC, Basic Standards for Enterprise Internal Control issued by Five ministries as well as the internal management needs of the Company. The Company always emphasizes implementation of refined management, constantly improves the business process and gives more training to employees in terms of professional integrity and professional ethics and strives to manage and reduce operational risk events. The Company continued to step up efforts in developing information technology management and system, improved IT-related emergency response plans, and prevented information technology risk by taking multiple measures including regular or sporadic monitoring and special inspections, in order to monitor and control information technology in terms of at the system operation level with measures such as R&D, information security, and technology management.

### (6) *Liquidity risk*

Liquidity risk refers to the risk that the Company is unable to gain sufficient funds with reasonable cost in a timely manner to pay its due debts, satisfy other payment obligations and meet the requirements for carrying out normal business operations. As the proprietary trading business and financing business of the Company are relatively large, it is easily affected by the factors including macro-economic policy, changes in market, operation conditions and client credit profile during its operations. Meanwhile, liquidity risk may also result due to unmatched asset-liability structure.

In terms of daily liquidity risk management, the Company has always adhered to the mindset of “proper and even conservative risk control” and successfully contained the liquidity risk exposure within a reasonable range through reasonable monitoring mechanism and control measures by adhering to the determined liquidity risk preferences and limits of risk indicators. At the same time, the Company reserved sufficient quality liquidity assets in strict compliance with relevant internal regulations and measures, which are to ensure smooth asset business development and timely repayment of matured liabilities of the Company. Moreover, in order to improve the level of defined management on liquidity risk, the Company continued to improve the management and control system for daily liquidity and risk indicators, and built a linkage mechanism of capital and indicator that combining assets and liability, and improved a liquidity risk analysis framework including mechanisms such as daily indicator position follow-up, monthly indicator assessment and forecast and department indicator disassemble. This initiative deeply strengthened the Company’s scientific control over and forecast efficiency of liquidity risk. In addition, the Company enriched tools of liquidity risk management over different periods of time to achieve a balance among asset safety, liquidity and profitability.

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In terms of mid-term and long-term liquidity risk management, the Company continued to optimise its capital allocation structure, intensified its analysis on the development trend of assets and liabilities and strengthened its management and control over liquidity risks from the source. On the one hand, the Company actively carried out asset and liability management works and adjusted its liability term structure by timely analysing business development trend and potential need for mid-term and long-term funds to ensure a reasonable range of the maturity mismatch of assets and liabilities. On the other hand, the Company enhanced liquidity refined management system to ensure more reasonable liability structure and distribution of maturities and increase efficiency in the use of funds based on assets safety and sufficiency. During the Reporting Period, the Company valued maintaining good relationships with major commercial banks, ensured normalisation of operations, maintained good reputation, and kept financing channels open.

In terms of Group liquidity risk control, the Company steadily implemented the requirements on the liquidity risk management for the Group and subsidiaries. Firstly, the Company implemented classified management of subsidiaries from the risk lines and asset-liability management lines on the basis of liquidity risk management, and promulgated Management Measures on (Group) Liquidity Risk of Haitong Securities Co., Ltd to specify the overall strategy, framework, and control requirements of the Group-wise liquidity risk management. Secondly, the Company issued limit management requirements for the subsidiaries based on the liquidity risk indicators and the industry, location and risk features of the subsidiaries. Finally, the Company developed the group liquidity risk system based on the system of the parent company. At present, the autogeneration of the Group liquidity indicator T+1 day system has been basically realised.

### (7) *Reputation risk*

Reputation risk refers to the risk resulting from negative comments to the Company by a party of stakeholder with respect to the Company's operations, management or other activities, or due to external events. Reputation events refer to the activities or events that may impact on the reputation risk of the Company. The formation of reputation events include but not limited to the mistaken, untrue and critical reports of the news media, the rumour and negative online public opinion against the Company, the acceptances of media interviews by the staff of the Company without prior authorisation and also violating the statutory disclosure regulations, reputation events triggered by improper opinions or behaviours of the Company's staff, the industry or trading partners; reputation events triggered by customer complaint, internal or external audit or compliance investigation by the regulatory authority because of the operation problems of the Company; and other sudden reputation events that might have material negative impact on the Company.



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As such, in order to effectively manage the reputation risk, the Company has taken necessary monitoring and preventive measures. The Company has established a reputation risk forewarning system to monitor public opinions and to ensure that negative emergent events are reported to the management of the Company as soon as possible. For those emergent events with significant negative impact on reputation, the Company's General Manager's Office shall report to competent superior authorities and regulatory bodies in accordance with the Management Measures for Reputation Management of Haitong Securities Co., Ltd., the Measures for Handling Emergency Events of Haitong Securities Co., Ltd., and work with relevant departments to formulate communication strategy and to unify line-to-take, so as to pave the groundwork on which the spokesman of the Company can make a public announcement or respond to the event. After the effect of the event ceases, relevant department will actively take measures to restore reputation, analyse and report on the process of handling the aforesaid emergency event, and closely observe latest developments and new issues so as to prevent recurrence of public opinions. Meanwhile, the Company will enhance communication and contact with the media and restore the Company's image by promoting the Company's positive image and through other measures. Before accepting interviews by the media, employees of the Company is obligated to initiate media interviews process through the office's system in accordance with Rules of Haitong Securities Co., Ltd. on Publicity Work, and shall only publish comments after obtaining approval from the Company upon examination while the interview transcripts shall be submitted to the General Manager's Office for record.

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### **2. Reflection of main risk factors during the Reporting Period and countermeasures taken (or proposed to be taken) by the Company**

During the Reporting Period, the Company further promoted the construction of the comprehensive risk management system according to the Standards of Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) and other regulatory requirements and internal systems. In terms of full coverage, the Company built a clearly arranged risk management framework covering various risks, different business lines and all departments/branches/subsidiaries, and revamped various pre-event risks management processes including risk identification, assessment, measurement, monitoring, reporting and response and continually enhanced prevention, in-process monitoring and follow-up inspections & disposal as to various risks. In terms of monitoring, the Company established a three-level indicator system covering supervising indicators, tolerance & limit indicators and business risk control indicators, and conducted continuous monitoring and assessed extreme risks through various stress tests. In terms of measurement, the Company measured market risks, credit risks, liquidity risks and other risks, and continuously optimised its quantitative models and methods. In terms of analysis, the Company regularly prepared various reports, and prepared non-periodical reports for significant risk events and included its subsidiaries into the scope of reports. In terms of the risk-response ability, the Company chose proper countermeasures according to risk assessments and warning results, and established an effective response mechanism as well as formulated a specific emergency system. In addition, the Company provided support and guarantee for comprehensive risk management through the following measures: attached great importance to the promotion of risk control culture and promoted the risk culture by holding various training, online courses, seminars, and advertising on periodicals; improved the construction of risk management system and constructed a multi-level system covering various risks, businesses and management & control elements under the guidance of the Management Measures for Comprehensive Risk of Haitong Securities Co., Ltd.; established risk management systems with comprehensive coverage and carried forward data governance work; focused on the fostering of risk control specialists, developed recruitment plan, actively introduced talents, enhanced HR trainings, improved the skills and competence of the risk control specialists, established and improved talent fostering mechanism to continuously meet the regulatory requirements for the ratio of risk management staff and the needs of risk management; increased resource investment in risk management and formulated a specialised budget for information system and increased input in risk management information system, to provide guarantee for deepening and implementing the Group's risk management.



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During the Reporting Period, the specific performance of risk management factors mentioned above was as follows:

(1) *Compliance risk*

During the Reporting Period, the Company enhanced compliance management construction of the Group. The Board, Supervisory Committee and senior managements highly valued efforts on compliance management while the subordinate units continued to improve its compliance management level. In 2018, the Company satisfied the compliance requirements in its business operations. All businesses were carried out in a robust pattern with no major compliance risk. Faced with the regulatory trend of strict governance according to law, the Company actively overviewed new regulatory rules and continuously enhanced its compliance management construction, in order to ensure and facilitate the sustainable, compliant and healthy development of the Company.

(2) *Money laundering and terrorism financing risk*

In 2018, the Company enhanced anti-money laundering management and improved its internal control system for anti-money laundering. By strictly complying with the laws and regulations of anti-money laundering, the Company earnestly performed its anti-money laundering duty, and actively implemented various anti-money laundering works such as customer identification, customer risk rating, customer identity materials and transactional records preservation, suspicious transaction reporting, anti-money laundering publicity and training. In response to the comprehensive and strict regulatory environment, the Company will continuously strengthen its ability to fulfil the task of anti-money laundering and enhance relevant compliance management level.

(3) *Credit risk*

As at the end of 2018, the average maintenance guarantee ratio of our customers in margin financing and securities lending business was 224.00%, and the average performance guarantee ratio of our customers in stock repo transaction and stock pledged repo business were 206.99% and 195.31% respectively. The collaterals provided by the lenders were sufficient and the overall credit risk of the financing business were under sound control. In terms of the Company's investment in credit type fixed income securities, the ratio of high credit rating securities whose debts or issuers with ratings of AA or above was 98.23%. The Company's counterparties of over-the-counter derivatives business are mainly financial institutions including commercial banks, securities companies and asset management companies. The Company is faced with limited credit risk from counterparties since it strictly controls the business scale and adopts appropriate and practical risk mitigation measures during the operations of the aforesaid businesses.



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In 2018, Haitong International Securities closely monitored the four pre-warning limit indexes for the margin financing business while the overall credit risk of financing business was under control. Meanwhile, Haitong International Securities utilised the internal credit rating system of Standard & Poor's to conduct internal rating of financing business and strengthen the approval standard. Regarding the post-loan management, Haitong International Securities continued to implement the five-tier classification management system to conduct risk monitoring and review for all the financing projects. Regarding the over-the-counter derivatives business, Haitong International Securities also employed the internal credit rating system of Standard & Poor's to evaluate the credit quality and examine and approve credit limits of its counterparties one by one according to the graded examination and approval authority. The credit risk of the current counterparties is under control.

In 2018, Haitong UT Capital implemented a whole-chain credit risk control system covering the periods before, during and after leasing, and improved relevant policies, systems, standards and requirements from such as organisational structure, credit audit guidance, due diligence, risk pricing, credit review and approval, internal control compliance, information system construction, which enhanced the overall credit risk management level. During the Reporting Period, all credit risk indicators were within limits.

In 2018, Haitong Bank revised its credit process and improved a three-tiered authorisation system, and launched the credit assessment and monitoring indicators, promoted the consistency between transaction strategy and Haitong Bank's global strategy and risk appetite policy so as to ensure that the pricing structure conform to risk-adjusted profit target, while strengthening the post-loan management monitoring of the stock credit assets. During the Reporting Period, no new credit risk events occurred and the overall credit risk was under control.

#### (4) *Market risk*

In 2018, the ratio of the Company's VaR to its net assets at the end of each month remained below 0.2%, the ratio of VaR of the parent company and major subsidiaries within the Group to the Group's net assets was also kept under 0.2% and the market risk was controllable and acceptable. However, the use of various financial instruments was still influenced by the regulatory environment, market environment and effectiveness of investment strategy. The effectiveness of management methods would be also restricted by the adverse changes of market liquidity.

In 2018, the scale of the Company's equity securities investment remained stable. Save as traditional trend investment, the Company actively conducted innovative businesses such as options market making and over-the-counter options. During the operation time of the above-mentioned innovative businesses, the Company adhered to risk-neutral investment strategy and effectively controlled the relevant risk exposures.



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In 2018, based on the trends of and the Company's judgement of the bond market, the Company gradually expanded the investment scale of non-equity securities. The whole portfolio duration increased and the duration at the end the year was 3.0 years. In 2018, the Company maintained an overall sound market risk control over its fixed income investments.

### (5) *Operational risk*

The Company has adhered to standard operation procedures in general. The Company has constantly improved its construction of the internal control system, improved every system and process and focused on intensifying the executive force of various rules and regulations, while no major operational risk events which may impact the overall business operation occurred during the Reporting Period. The Company continued to strengthen the building and maintenance of the information technology system and conducted regular and sporadic inspections and maintenance strictly pursuant to the operation management procedure, thus ensuring that the system is in reliable, stable and safe operation. During the Reporting Period, there were no significant information technology risk events.

### (6) *Liquidity risk*

The macro policy requirements of enhancing strict regulation, adjusting structure and preventing risk posed challenges to the proprietary and financing businesses of the Company. Together with the various influence of the debt repayment and renewal practices, they became the main source of liquidity risk pressures suffered by the Company during the Reporting Period. Facing the change in market environment and internal capital demand, the Company proactively planned on the basis of different areas to continuously strengthen the control on liquidity risks via prior risk identification, in-process risk mitigation and ex post improvement. During the Reporting Period, the Company's sustained and sufficient capital reserves reduced the likelihood of the outbreak of liquidity risks and ensured its capability of stable operations in a complex market environment. In 2018, the daily average liquidity coverage ratio of the core liquidity monitoring indicators of the Company was 220.36% while the average daily NSFR was 140.55%, both of which were far higher than the regulatory requirement and pre-warning standard. In the meanwhile, the Company has constantly enhanced its ability to cope with liquidity risks by evaluating its financing channels and liquidity of high-quality liquid assets under pressure through liquidity emergency rehearsal.

In addition, liquidity risk management was orderly carried out at the Group level. The Company promulgated Management Measures on Group Liquidity Risk and developed scientific liquidity risk management strategies as per the business characteristics of the subsidiaries, which served to realise unified management of liquidity risk across the Group. Meanwhile, the Group continued to promote the Group information system construction, and basically enabled auto-collection and indicator autogeneration of liquidity risk data T+1. Facing an uncertain market environment in the future, the Group will continue to actively conduct asset-liability management and achieve higher capital utilization efficiency on the basis of safety and liquidity, so as to safeguard the stable operations of the Group.

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### (7) *Reputation risk*

During the Reporting Period, no adverse negative news or publicity regarding the Company which would affect the public opinion of the Company. For the few negative news reports, the Company took responses step by step and effectively curbed the impact of negative news according to Management Measures on Reputation Risk of Haitong Securities Co., Ltd. and Rules of Haitong Securities Co., Ltd. on Publicity Work, with no significant reputation risk incident happened.

During the Reporting Period, the Company maintained sound operations of its various businesses, reasonable assets allocation and healthy financial situation, while various risk control indicators including the net capital were compliant with the regulatory requirements. The Group's comprehensive risk management structure was clear and its subsidiaries operated soundly, with controllable overall risk. The Group will continue to further enhance the system building, refine the internal control mechanisms, and improve the level of meticulous risk management.

### (V) **Risk control indicators and establishment of net capital replenishment mechanism of the Company**

#### 1. *Dynamic monitoring of risk control indicators*

To establish and improve the dynamic monitoring mechanism of risk control indicators, strengthen risk monitoring, and carry out businesses under measurable, controllable and endurable risks, in accordance with regulatory requirements such as the Management Measures for the Risk Control Indicators of Securities Companies and the Securities Companies Stress Testing Guidelines, etc., the Company has set up the internal control systems, organisational structures and corresponding technology systems in conformity with related requirements based on the dynamic risk control indicators monitoring platform and has carried out dynamic monitoring of risk control indicators. In strict accordance with requirements such as the Management Measures for the Risk Control Indicators of Securities Companies, the Company provided written reports to the regulatory authorities regarding risk control indicators and achievements on a regular basis; in the event that changes in risk control indicators reach a certain level, it will submit timely reports to the local securities regulatory bureaus. The Company constantly improved the system construction, process optimisation and data system upgrade of the dynamic monitoring platform and has achieved reporting to the local securities regulatory bureaus about the Company's net capital calculation sheet, calculation sheet of the total on-balance-sheet and off-balance-sheet assets, calculation sheet of liquidity coverage rate, calculation sheet of net stable funding rate, calculation sheet of risk capital reserves and statement of risk control indicators monitoring within T+1 days. The aforesaid measures were taken to ensure that various risk control indicators including net capital etc., are in line with regulatory requirements at any time point.



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### **2. *Establishment of net capital replenishment mechanism***

The Company has established a net capital replenishment mechanism. When risk control indicators including net capital approach or touch the pre-warning lines, the Company will replenish net capital by reducing the scale of the proprietary investment products with high risks, reinforcing collection of receivables, raising share capital, issuing subordinated debts, etc.

### **3. *Monitoring of risk control indicators during the Reporting Period***

The Company always adheres to the philosophy of sound business and, focuses on risk management to maintain a reasonable capital structure. As at the end of the Reporting Period, net capital of the Company was RMB71,377 million, net asset was RMB108,195 million, and the net capital/net asset ratio was 65.97%. During the Reporting Period, the operating risks were controlled at an acceptable level with asset in high quality and standardised business operations, and its risk control indicators were in line with regulatory requirements.

### **4. *Sensitivity analysis and stress testing for risk control indicators***

In 2018, the Company conducted sensitivity analysis or stress testing on significant events including dividend distribution, capital allocation plans, adjustment in upper limit of business scale, investment banking underwriting projects etc., and carried out the abovementioned events on the premise that the analysis and testing conclusions met the regulatory requirements. Stress testing has been conducted at the end of each month for all possible extreme cases. In 2018, the Company conducted a total of 43 sensitivity analysis and stress testing on risk control indicators, and all testing results were in line with the requirements of the regulatory authorities, and were taken as the basis of the major decisions of the Company. In addition, the Company also conducted 48 stress testing on liquidity risks to ensure that in future the liquidity risk control indicators can meet regulatory requirements at any point in time.

## **(VI) Construction of the compliance management system of the Company**

In May 2007, the CSRC issued the Circular on Issuance of Pilot Work Scheme for Guidance of Setup of General Compliance Officer and Establishment of Compliance Management System by Securities Companies. As one of the first seven pilot compliance securities firms, the Company took the lead in completing the compliance pilot program in March 2008. By establishing and improving the compliance management system and organizational system, the Company carried out compliance consultation, training, review, monitoring, inspections and accountability to penetrate the compliance work into various business sectors, which has been recognised by the regulatory authorities.

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The Management Measures for the Compliance of Securities Companies and Securities Investment Fund Management Companies (Zheng Jian Hui Ling No. 133, hereinafter referred to as Management Measures for Compliance) and Guidelines for the Compliance Management of Securities Companies (Zhong Zheng Xie Fa [2017] No. 208, hereinafter referred to as Guidelines for the Compliance Management. Management Measures for Compliance and Guidelines for the Compliance Management, collectively known as the new regulations on compliance management), formally entered into force in 2017, indicating that the compliance management of securities companies has entered a new era. During the Reporting Period, in accordance with the new regulations on compliance management, the Company improved its compliance management system to form a comprehensive compliance management system that applies to the decision-making, execution, supervision, feedback and other links.

Vertically, the Company has established the organisational structure of compliance management to define the compliance management positions of the following persons, including the Board of Directors, the Supervisory Committee, the principal in charge of operation management, general compliance officer and other senior management. In particular, the Board of Directors of the Company is responsible for the effectiveness of compliance management; the Supervisory Committee is responsible for supervising the Board of Directors and senior management's performance of compliance management duties; the principal in charge of operation management bears responsibility for the compliance operations of the Company; other senior management takes responsibility for the compliance operations of businesses under their charge; the general compliance officer reviews, supervises and inspects the compliance of the operation management and practice behaviour of the Company and staff thereof.

Horizontally, the Company has formed the horizontal axis of the compliance department, other internal control departments and subordinate units of the Company (including various departments at the Headquarters, branches and subsidiaries). In particular, the compliance department performs the compliance management duties in accordance with the Company's requirements and general compliance officer's arrangements; internal control departments such as the risk management department, operation department, audit department, finance department, information management department and discipline inspection departments responsible for compliance management have well-defined roles and responsibilities, coordination and interaction; persons in charge of subordinate units are responsible for the achievement of compliance management goals and compliance operations of their respective units, and all employees take responsibility for compliance of their own practice behaviour.

During the Reporting Period, the Company's general compliance officer strictly performed compliance management duties according to applicable laws. The Company's shareholders, Directors and senior management had neither violated the stipulated duties and procedures, nor given direct instructions to the general compliance officer or interfered with his work. The Company provided human resource, material resource, financial resource and technical support to its general compliance officer to fully carry out his duties to ensure effective compliance management.



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During the Reporting Period, the Company promoted the implementation of the new regulations, laid a solid foundation for compliance management construction of the Group and completed the upgrade of the Group's compliance management systems 2.0. The Group implemented the compliance philosophy of "everyone shall be compliant, compliance shall start from senior management, compliance creates value and compliance is the lifeline of the Company"; strengthened the compliance management of subordinate units, business lines and employees; strived to intensify the execution of various systems, mechanisms and processes via prior review, in-process monitoring, post-event examination, assessment and measures on assessment and accountability; stepped up efforts in policy transmission and compliance promotion and actively fostered a new environment "full compliance and active compliance" by all staff.

During the Reporting Period, the compliance department and audit department of the Company organised and carried out regular or irregular compliance self-inspections and on-site inspections, and regular and special audits in departments at the Headquarters, branches and subsidiaries of the Company. The Company's internal control level was enhanced greatly through compliance audit and inspections, and corresponding compliance assessment and accountability mechanism. At the same time, in view of the stringent regulatory environment, the Company tightly integrated the implementation of new regulatory provisions and continuously deepened the construction of compliance management to ensure and promote the sustainable, compliance and healthy development of the Company.

### **IV. THE SITUATION THAT THE COMPANY FAILED TO DISCLOSE INFORMATION ACCORDING TO THE STANDARDS DUE TO SPECIAL REASONS, E.G. NON-APPLICABILITY TO THE STANDARDS OR STATE SECRETS AND TRADE SECRETS AND THE DESCRIPTION OF RELEVANT REASONS**

✓ Not applicable

### **V. OTHERS**

#### **1. Pre-emptive right arrangement**

In accordance with the PRC laws and the Articles of Association, the Company's shareholders have no pre-emptive right.

#### **2. Sufficiency of public float**

Based on the publicly available information and within the knowledge of the Directors, as at the date of this report, the Directors believe that, the public float of the Company complies with the requirements for minimum public floats as prescribed in Rule 8.08 of the Hong Kong Listing Rules.

#### **3. Particulars about Directors, Supervisors and Senior Management**

Please refer to "Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES" of this Report for details on the composition, changes and the biographical details of Directors, Supervisors and senior Management during the Reporting Period.

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 4. Directors' interest in the business competing with the Company

Mr. Chen Bin, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited since October 2014. Mr. Xu Jianguo, a non-executive Director of the Company, has been a non-executive director of Orient Securities Company Limited since November 2016. As Orient Securities Company Limited is engaged in, among others, securities brokerage, securities investment consultation, financial consultation service relating to securities trading and securities investment, proprietary trading, margin financing and securities lending, securities underwriting, securities investment fund agency, share options market making and etc., Orient Securities Company Limited competes or is likely to compete, either directly or indirectly, with some aspects of the business of the Company. Save as disclosed above, none of the Directors has any interest in the business which competes or is likely to compete, either directly or indirectly, with the Company's business.

### 5. Service contracts of Directors and Supervisors

None of the Directors or Supervisors has a service contract with the Company or its subsidiaries which is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

### 6. Directors' and Supervisors' interests in transaction, arrangement or contract of significance

During the Reporting Period, the Directors, Supervisors or an entity connected with any Director or Supervisor of the Company did not have any material interests, whether directly or indirectly, in any transaction, arrangement or contract of significance entered into by the Company or its subsidiaries.

### 7. Share option scheme

For the share option scheme of the Group, please refer to "XIII. SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THEIR EFFECTS" in "Section V SIGNIFICANT EVENTS" of this report.

### 8. Major clients and suppliers

The Company serves a diverse base of institutional and retail clients across a spectrum of sectors. The Company's clients range from large state-owned enterprises, multinational corporations and SME clients to high-net-worth individuals and retail customers. Its clients are primarily located in the PRC. The improving overseas network layout will help the Company provide offshore services and expand its customers' sources. In 2018, total revenue generated from top five customers accounted for 4.95% of the Group's total revenue.

Due to the Company's business nature, the Company has no major suppliers.

### 9. Contract of significance

During the Reporting Period, the Company did not have any shareholder who held directly more than 5% of shares or any de facto controller, neither any contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries, nor any contract of significance for providing services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries as defined in Appendix 16 to the Hong Kong Listing Rules.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 10. Management contract

During the Reporting Period, no contracts were (other than the service contracts with any Director or Supervisor or any of the full-time employee of the Company) still in force, and pursuant to which, the management and administration of the whole or any substantial part of the business of the Company were undertaken by any individual or entity.

### 11. 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.

### 12. Equity-linked agreement

No equity-linked agreements were entered into by the Group or subsisted during the Reporting Period.

### 13. Share capital and issuance of shares and securities

For the information of the Company's share capital and issuance of shares and securities as at 31 December 2018, please refer to "I. CHANGE IN SHARE CAPITAL OF ORDINARY SHARES" and "II. SECURITIES ISSUANCE AND LISTING" in "Section VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS" and "Section X CORPORATE BONDS" of this Report.

### 14. The Company's environmental policies and performance

For the Company's environmental policy and performance, please refer to "XVII. ACTIVITIES FOR FULFILLMENT OF SOCIAL RESPONSIBILITIES" in "Section V SIGNIFICANT EVENTS" of this Report.

### 15. Compliance with relevant laws and regulations

The Board is of the view that during the Reporting Period, the Company operated its business and its decision-making procedure in compliance with relevant laws, regulations and the Articles of Association. Save as disclosed in "V. PARTICULARS ABOUT PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES DURING RECENT THREE YEARS" in "Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES" of this Report, during the Reporting Period, the Company complied with laws and regulations that have a significant impact on the Company. The Company is not aware of any breach of laws and regulations and the Articles of Association which would have a significant impact on the Company or any act which would prejudice the interests of the Company and its shareholders by any Directors, Supervisors or senior management when performing their duties during the Reporting Period.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### 16. Review of Annual Results

The Audit Committee under the Board reviewed the audited financial statements and the annual report of the Company for the year ended 31 December 2018, and did not raise any objections to the accounting policies and practices applied by the Company.

### 17. Profit distribution resolution

For the profit distribution resolution of the Company, please refer to “I. PROPOSAL ON PROFIT DISTRIBUTION FOR ORDINARY SHARES AND CONVERSION OF CAPITAL RESERVE INTO CAPITAL” in “Section V SIGNIFICANT EVENTS” of this Report.

#### 17.1 Taxation of holders of A Shares

According to the Circular of the Ministry of Finance, the State Administration of Taxation and the CSRC on Relevant Issues concerning Implementation of Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2012] No. 85) and the Circular of the Ministry of Finance, the State Administration of Taxation and the CSRC on Relevant Issues concerning Differentiated Individual Income Tax Policies for Dividends of Listed Companies (Cai Shui [2015] No. 101), for individual shareholders of the Company who hold shares for a period (from the date of an individual’s acquirement of the shares of a listed company from the public offer and transfer market to the date prior to the date of transfer and settlement of such shares) of within one month (including one month), their dividends are fully included in taxable income (effective tax rate is 20%); for those who hold shares for a period of over one month to one year (including one year), 50% of their dividends are temporarily included in taxable income (effective tax rate is 10%); for those who hold shares for a period of over one year, individual income tax on dividends is temporarily exempted. Temporarily, for individuals who hold shares for a period less than one year (inclusive), the listed company shall not withhold any income taxes; when an individual transfers his/her shares, the securities depository and clearing company calculates the taxable income according to his/her period for holding shares, and the company withholds tax otherwise through the securities depository and clearing company for the part in excess of the withheld tax. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the Cai Shui [2012] No. 85 requirements. For shareholders who are resident enterprises, the income tax on their cash dividends shall be payable on their own.

For dividend income QFII obtained from sources within the PRC, listed companies are required to withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) issued by the State Administration of Taxation. Shareholders who are QFII and who wish to enjoy tax concessions shall apply to the competent taxation authorities for tax rebates according to the relevant rules and regulations after they receive the dividends.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### **17.2 Taxation of holders of H Shares**

Pursuant to 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 (Guo Shui Han [2011] No. 348), the dividends received by the overseas resident individual shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to the payment of individual income tax according to the items of “interests, dividend and bonus income”, which shall be withheld by the responsible withholding parties in accordance with the relevant laws. The overseas resident individual shareholders who hold the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China or the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%. For the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividend, generally withhold individual income tax at the rate of 10%, and they are not obligated to file an application. If the tax rate for dividend is not equal to 10%, the following provisions shall apply: (1) for citizens from countries under agreements to be entitled to tax rates lower than 10%, the withholding parties will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, over with-held tax amounts will be refunded; (2) for citizens from countries under agreements to be entitled to tax rates higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends (bonus), and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends.

Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897), a PRC resident enterprise, when distributing dividends for 2008 and the years afterwards to H shareholders who are overseas non-resident enterprises, shall be subject to the enterprise income tax withheld at a uniform rate of 10%.

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

## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### ***17.3 Profit distribution for investors in mainland China investing in H Shares of the Company through Shanghai-Hong Kong Stock Connect***

For investors of the SSE (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H Shares through Shanghai-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares through Shanghai-Hong Kong Stock Connect through its depository and clearing system. The cash dividends for the investors of H Shares through Shanghai-Hong Kong Stock Connect will be paid in RMB. Pursuant to requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)), for dividends received by mainland individual 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 individual investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.

### ***17.4 Profit distribution for investors in mainland China investing in H Shares of the Company through Shenzhen-Hong Kong Stock Connect***

For investors of the SZSE (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange, the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, which is expected to be the nominee of the holders of H Shares through Shenzhen-Hong Kong Stock Connect, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H Shares through Shenzhen-Hong Kong Stock Connect through its depository and clearing system. The cash dividends for the investors of H Shares through Shenzhen-Hong Kong Stock Connect will be paid in RMB. Pursuant to requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No.127) (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)), for dividends received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-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 individual investors. For dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the relevant tax themselves.



## SECTION IV REPORT OF THE BOARD OF DIRECTORS

### **17.5 Profit distribution for investors of Northbound trading**

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A Shares of the Company listed on the SSE (hereinafter referred to as “Investors of Northbound Trading”), their final dividends will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such A Shares. For dividends derived by investors (including enterprise and individual investors) in the Hong Kong market from investing in A shares listed on the SSE, listed companies are required to withhold and pay income taxes at a rate of 10% pursuant to the requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)), and will report to the tax authorities for the withholding. For the Investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax agreement with the PRC stipulating a dividend tax rate lower than 10%, those enterprises or individuals may, or may entrust a withholding agent to, apply to the competent tax authorities of the listed companies for the preferential treatment under such tax agreement. Upon approval by the competent tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax agreement will be refunded.

The shareholders of the Company are suggested to seek advice from their tax adviser concerning the tax effect involved in China, Hong Kong, and other countries (region) with respect to the ownership and disposition of the shares of the Company.

### **18. Events Subsequent to the Reporting Period**

Other than those disclosed in this Report, the Company had no material events subsequent to the settlement date of the financial year and up to the date of this Report.

## Section V SIGNIFICANT EVENTS

### I. PROPOSAL ON PROFIT DISTRIBUTION FOR ORDINARY SHARES AND CONVERSION OF CAPITAL RESERVE INTO CAPITAL

#### (I) Formulation, implementation or adjustment of cash dividends policy

The Company has always provided reasonable investment return to shareholders, and adopted a continuous, stable, and proactive profit distribution policy. The Company's establishment and implementation of the profit distribution policy, in particular the cash dividends policy, are in strict compliance with the Articles of Association and are subject to the consideration and approval of the Board meetings and shareholders' general meetings of the Company. The Company has an explicit and clear policy regarding the criteria and ratio of dividend distribution and a sound and comprehensive decision-making procedure and mechanism. Independent Directors have duly performed their duties to the fullest, and minority shareholders have a fair chance to fully express their opinions and requests, due to which the legitimate rights and interests of minority shareholders are adequately protected.

From 2007 to 2017, cash dividends of RMB20,875 million (inclusive of tax) and stock dividends of 1,234 million shares (inclusive of tax) were distributed to shareholders of the Company and share capital of 2,880 million shares were converted from capital reserve on a cumulative basis. From 2007 to 2017, the percentage of dividends distributed each year accounted for more than 30% of the profit available for distribution, among which, the percentage from 2015 to 2017 was 54.71%, 63.14% and 63.14%, respectively.



## Section V SIGNIFICANT EVENTS

The Company has expressly stipulated the profit distribution policy in its Articles of Association, that “the Company may, according to the profit made by the Company and taking into account the actual situation as well as current and long-term benefit of the Company, distribute dividend by way of cash or shares, and have the priority to distribute dividend by cash. In principle, the Company will distribute cash dividend for the year with profit. The Company may distribute interim dividend. Profit distribution shall satisfy the regulatory requirements, not exceed the accumulated distributable profit and not influence continuous operation capacity of the Company. If the Company generated profits in the previous accounting year but the Board did not make any cash profit distribution proposal after the end of the previous accounting year, the Company shall state the reasons for not distributing the profit and the usage of the profit retained in the annual report and the independent Directors shall give an independent opinion in such regard. The accumulated cash distribution of profit for the last three years of the Company shall not be less than 30% of the average annual distributable profit. Specific percentage of dividend distribution for each year shall meet the needs of corporate operation and development and be resolved in accordance with the annual earnings conditions and future plans on usage of funds. If any of the following circumstances occurs, the Company can adjust or amend the aforesaid profit distribution policy by obtaining the approval from more than two thirds of voting rights held by shareholders attending the shareholders’ general meeting: (i) there are changes in, or adjustments to, the relevant laws and regulations; (ii) the risk control indicators (such as net capital) reach the warning levels; (iii) the Company’s operating conditions deteriorate; (iv) the Board proposes the adjustments. In the event that adjustments to the Company’s profit distribution policy are necessary due to the needs of corporate operation and long-term development, the adjusted profit distribution policy shall comply with the relevant regulations of the Company’s regulatory departments. Any resolution regarding the adjustments to the Company’s cash dividend policy shall be approved by two thirds of the voting rights of the shareholders attending the shareholders’ general meeting and online voting shall be available. The Company shall consider the views of public investors and timely respond to the questions concerned by public investors. The Company should disclose in annual reports the formulation, implementation of the dividend distribution policy and other relevant circumstances in accordance with the relevant provisions. If the cash dividend policy is to be adjusted or amended, the conditions for the adjustments or amendments, and whether the procedures for the adjustments or amendments are in compliance with regulations and transparent should both be disclosed in details.”

The implementation of the 2017 profit distribution plan of the Company was completed on 1 August 2018. On the basis of the total share capital of 11,501,700,000 shares of the Company, a cash dividend of RMB0.23 (tax inclusive) per share were distributed to the shareholders of the Company (which means a cash dividend of RMB2.30 (tax inclusive) for every 10 shares were distributed), resulting in a total cash dividend of RMB2,645,391,000.00 (tax inclusive). The cash dividends distributed to holders of A Shares amounted to RMB1,861,190,171.40 based on the total share capital of 8,092,131,180 A Shares and the cash dividends distributed to holders of H Shares amounted to HK\$957,954,501.41 based on the total share capital of 3,409,568,820 H Shares.

## Section V SIGNIFICANT EVENTS

### (II) Plans or proposals on profit distribution plan for ordinary shares, and plans or proposals on conversion of capital reserve into share capital for the recent three years (including the Reporting Period)

As audited, profit attributable to owners of the parent company for the year 2018 in the consolidated financial statements was RMB5,211,093,198.87 and the net profit of the parent company for 2018 was RMB5,567,930,366.55.

In accordance with the relevant regulations including the PRC Company Law, the PRC Securities Law, the Financial Rules for Financial Enterprises and the Articles of Association, the Company may distribute profits to investors after appropriating statutory reserve funds and reserve funds. The Company set aside 10% of its net profit for the year 2018 to statutory reserve, general risk reserve and transaction risk reserve, respectively, each amounting to RMB556,793,036.66, totalling RMB1,670,379,109.98. Therefore, the distributable profit for the year 2018 was RMB3,897,551,256.57 after such appropriations. The retained profits of the Company of RMB20,466,821,667.65 at the beginning of the year, deducting the dividends of RMB2,645,391,000.00 distributed by the Company due to implementation of the profit distribution plan for 2017, the parent company's retained profits amounted to RMB21,718,981,924.22 at the end of the year. After taking into account the Company's longterm development and investors' interests, the Company's profit distribution proposal for 2018 is as below:

1. On the basis of a total share capital of 11,501,700,000 A Shares and H Shares as at 31 December 2018, cash dividend of RMB1.50 per 10 shares (inclusive of tax) will be distributed to all holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date, with total cash dividend amounting to RMB1,725,255,000.00. The retained profits of the parent company of RMB19,993,726,924.22, following the cash dividend distribution will be carried forward to the next year.
2. Cash dividends are denominated and declared in Renminbi and payable in Renminbi to A shareholders and in Hong Kong dollars to H shareholders. The actual amounts declared in Hong Kong dollars are converted based on the average benchmark exchange rate for Renminbi to Hong Kong dollars as announced by the People's Bank of China for the five business days prior to the date of the 2018 general meeting.



## Section V SIGNIFICANT EVENTS

The cash dividends will be distributed to the shareholders within the second month after the profit distribution plan of the Company for 2018 is considered and approved at the annual general meeting.

Unit: Yuan Currency: RMB

Year of distribution	Number of dividend shares for every 10 shares (share)	Amount of dividend for every 10 shares (RMB) (inclusive of tax)	Number of shares converted for every 10 shares (share)	Amount of cash dividends (inclusive of tax)	Net profit attributable to shareholders of ordinary shares of the Company in the consolidated financial statements during the year of distribution	Percentage of amount of cash dividends in net profit attributable to shareholders of ordinary shares of the Company in the consolidated financial statements (%)
2018	0	1.5	0	1,725,255,000.00	5,211,093,198.87	33.11
2017	0	2.3	0	2,645,391,000.00	8,618,423,293.06	30.69
2016	0	2.2	0	2,530,374,000.00	8,043,334,519.30	31.46

### (III) Repurchase of shares under cash offer included in cash dividends

✓ Not applicable

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

✓ Not applicable

## II. PERFORMANCE OF UNDERTAKINGS

### (I) Undertakings made by the Company's de facto controller, shareholders, related parties, acquirers, the Company and other related undertakers during the Reporting Period or subsisting in the Reporting Period

✓ Not applicable



## Section V 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, the period of which includes the Reporting Period**

✓ Not applicable

(III) **The completion of the performance undertaking and its impact on impairment testing on goodwill**

✓ Not applicable

### III. APPROPRIATION OF FUNDS AND REPAYMENT OF DEBTS DURING THE REPORTING PERIOD

✓ Not applicable

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

✓ Not applicable

### V. ANALYSIS AND EXPLANATION OF THE COMPANY ON CAUSES AND EFFECTS OF CHANGES OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND SUBSTANTIAL CORRECTIONS OF ACCOUNTING ERRORS

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

#### 1. *Adoption of the New Standards for Financial Instruments*

In 2017, the Ministry of Finance revised and issued the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, the Accounting Standards for Business Enterprises No. 24 – Hedging Accounting, and the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (collectively, the "New Standards for Financial Instruments").

The amended New Standards for Financial Instruments as abovementioned came into effect on 1 January 2018. The Company did not restate the information for the comparative period of 2017 as the adjustments for differences arising from the adoption of the New Standards for Financial Instruments are reflected directly in the retained earnings at the beginning of the period and other comprehensive income.



## Section V SIGNIFICANT EVENTS

### 2. Adoption of the standard for revenue

In 2017, the Ministry of Finance revised the *Accounting Standards for Business Enterprises No. 14 – Revenue* (amended in 2017). The amended standard requires that, upon initial adoption of the standard, the retained earnings at the beginning of the period and other related items in the financial statements shall be adjusted based on the cumulative effects, while the information for the comparative period shall not be adjusted. The adoption of the standard will not result in any material change to revenue recognition methods of the Company and will have no material impacts on the financial statements.

Changes of accounting policies caused by the abovementioned amended accounting principles have been approved by the Board of the Company on 27 March 2018.

### 3. Implementation of new lease standard

The Ministry of Finance amended the *Accounting Standards for Business Enterprises No. 21 – Lease* in 2018. The New Lease Standards unifies the accounting treatment of lessees under operating leases and finance leases. Except for eligible short-term leases and low-value asset leases, the lessee is required to recognise the right-of-use asset and lease liability at the initial measurement. When dealing with subsequent measurement, for the right-of-use asset, depreciation is provided during the lease term, and the impairment is assessed and the corresponding accounting treatment is carried out; for the lease liability, the interest expense is accrued during the lease term. For short-term leases and low-value asset leases, the relevant asset costs or current profits and losses are included in a systematic and reasonable method. The disclosure of financial statements shall be adjusted accordingly in accordance with the foregoing.

According to the implementation requirements, the Company should implement the New Lease Standards from 1 January 2019. In accordance with the requirements of the standards, the Company adjusts the retained earnings at the beginning of the period and other related items in the financial statements based on the cumulative impact of the implementation of the New Lease Standards on 1 January 2019, and the Company will not adjust the information for the comparable period of 2018. This change has no material impact on the total assets and net assets of the Company.

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

✓ Not applicable

#### (III) Communications with former accounting firm

✓ Not applicable

#### (IV) Other explanations

✓ Not applicable

## Section V SIGNIFICANT EVENTS

### VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: RMB0'000

<b>Currently engaged</b>	
Name of the domestic accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
Remuneration of the domestic accounting firm	310
Term of the audit services provided by domestic accounting firm	Eight years
Name of the overseas accounting firm	Deloitte & Touche (Deloitte Touche Tohmatsu (德勤•關黃陳方會計師行) and Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所) (Special General Partnership))
Remuneration of the overseas accounting firm	350
Term of the audit services provided by overseas accounting firm	Seven years

<b>Name</b>	<b>Remuneration</b>
Accounting firm engaged for internal control audit	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) 40

#### Explanations on appointment and dismissal of accounting firms

During the Reporting Period, the Company reappointed BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) (“**BDO**”) as its external auditor for 2018, who was responsible for provision of the related domestic audit services in accordance with the PRC GAAP. BDO was reappointed for a term of one year and entitled to an auditing fee of RMB3.10 million. The Company also engaged BDO as its auditor for internal control with auditing fee of RMB400,000. The Company reappointed Deloitte & Touche (Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)) (“**Deloitte**”) as its external auditor for 2018, who was responsible for provision of the related audit and review services in accordance with IFRS. Deloitte was appointed for a term of one year and entitled to an auditing fee of RMB3.50 million. BDO and Deloitte rendered a total of RMB19.13 million of audit services to subsidiaries of the Group. During the Reporting Period, the Board had no disagreement with the opinion of the Audit Committee on the selection and appointment of external auditors.

#### Explanations on change of accounting firms during the audit period

During the past three years, the Company did not change the accounting firms.



## Section V SIGNIFICANT EVENTS

### VII. FACING THE RISK OF SUSPENSION OF LISTING

The Company did not face the risk of suspension of listing during the Reporting Period.

### VIII. FACING THE RISK OF DELISTING AND REASON

The Company did not face the risk of delisting during the Reporting Period.

### IX. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

The Company did not have bankruptcy and restructuring related matters during the Reporting Period.

### X. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company was not involved in any material litigation or arbitration that involves claims of over RMB10 million and accounting for more than 10% of the absolute value of the Company's net assets as audited in the latest financial statements, which shall be disclosed in accordance with the requirements under the Shanghai Stock Exchange Listing Rules.

### XI. PUNISHMENT AGAINST AND RECTIFICATION ON THE COMPANY, ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND ACQUIRER

As at the end of the Reporting Period, the Company did not have any shareholder who directly held more than 5% of shares or any de facto controller. During the Reporting Period, none of the following circumstances happened to the Company, the Board, Directors, Supervisors or senior management: being investigated by competent authorities, imposed coercive measures by a judiciary authority or disciplinary department, transferred to a judicial authority or held criminally liable, investigated or imposed administrative penalties by the CSRC, banned from access to market, identified as an unsuitable person, punished by other administrative authorities, or publicly condemned by a stock exchange. None of the Directors, Supervisors and senior management of the Company violated any rules or regulations with regard to trading of the shares of the Company.

On 23 May 2017, the Company received from the CSRC an Advance Notice of Administrative Penalty (Chu Fa Zi [2017] No. 59) due to suspected violations of laws and regulations by Citadel (Shanghai) Trading Company Limited and relevant intermediaries. For further information, please refer to the announcement of the Company dated 24 May 2017. On 5 November 2018, the Company received from the CSRC the Notice of Case Closure (Jie An Zi [2018] No.20), pursuant to which, the CSRC considered that the suspected violations of laws of the Company and relevant staff of the Company were not established based on its investigations and decided to close such case. For further information, please refer to the announcement of the Company dated 5 November 2018.

## Section V SIGNIFICANT EVENTS

### XII. EXPLANATIONS ON THE CREDIT-WORTHINESS OF THE COMPANY, ITS CONTROLLING SHAREHOLDER, AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

The Company did not have any shareholder who held directly more than 5% of shares or any de facto controller. During the Reporting Period, there was no failure to comply with any effective court judgement or settle any material debts that have fallen due.

### XIII. SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THEIR EFFECTS

During the Reporting Period, the Company did not implement any share incentive scheme.

#### 1. Share Option Scheme of Haitong International Securities

On 23 August 2002, a share option scheme (the “**2002 Share Option Scheme**”) was approved and adopted by the shareholders of Haitong International Securities, which expired on 22 August 2012. According to the 2002 Share Option Scheme, options could be granted to any full-time employees, executive and non-executive directors of Haitong International Securities and any of its subsidiaries or associates. The exercise price of the share options was determinable by the directors of Haitong International Securities and should be at least the highest of (1) the closing price of its shares as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the offer date; (2) the average closing price of its shares as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the 5 trading days immediately preceding the offer date; and (3) the nominal value of its shares. For the year 2018, holders of options of Haitong International Securities exercised 3,246,326 share options under the 2002 Share Option Scheme.

On 8 June 2015, a new share option scheme (the “**2015 Share Option Scheme**”) was approved and adopted at the extraordinary general meeting of Haitong International Securities, which was valid and effective for a period of 10 years commencing from the date of adoption. According to the 2015 Share Option Scheme, options could be granted to any director (including executive Directors, non-executive Directors and independent Directors) or employees (no matter full-time or part-time) of Haitong International Securities and any of its subsidiaries. The exercise price of the share options was determinable by the directors of Haitong International Securities, and should be at least the highest of (1) 110% of the closing price of its shares as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the offer date; (2) the average closing price of its shares as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the 5 trading days immediately preceding the offer date; and (3) the nominal value of its shares.

For 2018, Haitong International Securities granted 19,160,000 share options under the 2015 Share Option Scheme and all of them were accepted. Holders of options of Haitong International Securities exercised 500,880 share options under the 2015 Share Option Scheme in total and there were 1,302,614 share options which lapsed during the period due to the resignation of employees.



## Section V SIGNIFICANT EVENTS

As at the end of 31 December 2018, share options which have been granted but not yet exercised by Haitong International Securities are set out as follows:

<b>Share Option Scheme</b>	<b>Number of share options granted but not yet exercised</b> <i>(Note)</i>	<b>Exercise price per share</b> <i>(Note)</i>	<b>Exercise period</b>
2002 Share Option Scheme	2,582,759 shares	HK\$2.751	3 March 2011 to 2 March 2019
2015 Share Option Scheme	14,846,892 shares	HK\$4.645	8 December 2016 to 11 May 2021
	12,710,552 shares	HK\$5.014	7 June 2018 to 9 November 2022
	19,160,000 shares	HK\$2.904	28 May 2019 to 31 October 2023
<b>Total</b>	<b>49,300,203 shares</b>		

*Note:* The amount of share options and the exercise price of share options may be adjusted for rights issue, scrip dividend, bonus share issuance or other similar changes in the Company's share capital.

Share options of the 2002 Share Option Scheme which have not yet been exercised accounted for approximately 0.04% of the issued shares of Haitong International Securities as at 31 December 2018. If the remaining options are fully exercised, under the current share capital structure of Haitong International Securities, an additional of 2,582,759 ordinary shares of Haitong International Securities will be issued, while the share capital of Haitong International Securities will increase by approximately HK\$258,000 and the share capital premium will be approximately HK\$6,847,000 (including issuing expenses).

Share options of the 2015 Share Option Scheme which have not yet been exercised accounted for approximately 0.81% of the issued shares of Haitong International Securities as at 31 December 2018. If the remaining options are fully exercised, under the current share capital structure of Haitong International Securities, an additional of 46,717,444 ordinary shares of Haitong International Securities will be issued, while the share capital of Haitong International Securities will increase by approximately HK\$4,672,000 and the share capital premium will be approximately HK\$183,663,000 (including issuing expenses). (Please refer to the 2018 annual report published by Haitong International Securities on the website of the Hong Kong Stock Exchange for more details.)

## Section V SIGNIFICANT EVENTS

### XIV. MATERIAL RELATED PARTY TRANSACTIONS

During the Reporting Period, the Company established a basic and comprehensive related party/connected transactions regulation system as well as a more scientific and refined organisational management framework for related party/connected transactions, and the relevant internal control was overall effective. The Company strictly complied with the review procedures and information disclosure requirements of related party/connected transactions under Chapter 14A of the Hong Kong Listing Rules, the Company Law, the Securities Law and the Implementation Guidelines, as well as internal rules such as the Articles of Association and the Management Measures for Related Party Transactions.

The related party transactions as disclosed in Note 71 to the Consolidated Financial Statements of this Report did not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules, except for the related party transaction entered into between the Company and Shanghai Shengyuan Real Estate (Group) Co., Ltd., which constitutes a de minimis connected transaction under Chapter 14A of the Hong Kong Listing Rules, and is therefore exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. Please refer to the Company's announcement dated 27 March 2018 for further details. During the Reporting Period, the Company did not have any other connected transaction which would be required to be disclosed under Chapter 14A of the Hong Kong Listing Rules.

#### (I) Related party transactions in relation to routine operations

During the Reporting Period, the Company conducted related parties transactions in strict compliance with the resolution on projected routine related party transactions approved in the annual general meeting of 2017, details of such related party transactions are as follows:

##### 1. Related party transactions with BNP Paribas Investment Partners BE Holding SA and its related companies

Category of Transactions	Contents of Transactions	Transaction volume in 2018 (RMB'000)	Proportion in Same Type of Transaction	Remarks
Services for Securities and Financial Products	Fee and commission income	355.33	0.04%	Fund management fee and investment consulting service fees charged against related parties
	Business and management expenses	20.29	0.00%	Sales and service fees paid to related parties
Trading in Securities and Financial Products	Fee and commission income	0.59	0.00%	Trading rights commission received from related parties
	Interest expense	61.95	0.00%	Interest expense incurred from financial leasing
	Accounts receivable	52.94	0.01%	Investment consulting service fee and fund management fee due from related parties
	Accounts payable	3.23	0.00%	Sales and service fees due to related parties
	Dividend payable	3,927.64	83.47%	Dividend payable to minority shareholders by controlling subsidiaries
	Long-term borrowing	44,333.86	1.02%	Balance of loan from financial leasing
	Interest payable	61.95	0.02%	Balance of unpaid loan interest incurred from financial leasing
	Spot trading	20,000.00	-	
	Pledged Repurchase	30,000.00	-	Transactions incurred from fixed income business
	Interest rate swap	52,000.00	-	



## Section V SIGNIFICANT EVENTS

### 2. *Related party transactions with Shanghai Shengyuan Real Estate (Group) Co., Ltd. (上海盛源房地產(集團)有限公司)*

Category of Transactions	Contents of Transactions	Transaction		Remarks
		volume in 2018 (RMB'000)	Proportion in Same Type of Business	
Trading in Securities and Financial Products	Fee and commission income	0.02	0.00%	Securities trading fees and commission income received from related parties
	Interest income	0.06	0.00%	Interest income from margin deposits of related parties
	Account from securities agency trading	6.05	0.00%	Balance of margin deposits from clients placed by related parties
Others	Business and management expenses	8.84	0.00%	Other service fees paid to related parties

### 3. *Related party transactions with companies (other than the Company and its subsidiaries), where the Company's directors, supervisors and senior management hold positions as directors or senior management, and other related corporate legal persons*

Category of Transactions	Contents of Transactions	Transaction		Remarks
		volume in 2018 (RMB'000)	Proportion in Same Type of Business	
Services for Securities and Financial Products	Fees and commission income	11,133.06	1.13%	Income from investment banking business, income from sales service and income from investment consulting service received from related parties
	Business and management expenses	2,829.05	0.30%	Sales and consulting service fees paid to related parties
Trading in Securities and Financial Products	Fees and commission income	43.07	0.00%	Securities trading fees and commissions income received from related parties
	Interest income	81.93	0.00%	Interest income received by related parties
	Account from securities agency trading	522.32	0.01%	Balance of margin deposit from clients placed by related parties
	Interest expense	9,199.51	0.70%	Interest expense incurred from financial leasing
	Financial assets held for trading	4,605.90	0.03%	Balance of bond transaction held for related parties



## Section V SIGNIFICANT EVENTS

Category of Transactions	Contents of Transactions	Transaction	Proportion in Same	Remarks
		volume in 2018 (RMB'000)	Type of Business	
	Short-term financial bills payable	5,055.23	0.19%	Balance of income receipt held by related parties
	Long-term borrowing	182,539.93	4.22%	Balance of loan incurred from financial leasing
	Interest payable	271.2	-	Balance of unpaid loan interest incurred from financial leasing
	Other payable	3,918.97	1.83%	Sales and service fee payable to related parties
	Spot trading	268,000.00	-	Transactions incurred from fixed income business
	Pledged Repurchase	2,176,500.00	-	
	Bond lending	444,000.00	-	
	Interest rate swap	114,000.00	-	
	Credit lending	150,000.00	-	

### (II) Related party transactions in relation to the acquisition or disposal of assets or equity interests

During the Reporting Period, the Company was not involved in any related party transactions in relation to the acquisition or disposal of assets or equity interests.

### (III) Material related party transactions relating to common external investments

During the Reporting Period, the Company was not involved in any material related party transactions relating to common external investments.

### (IV) Related creditor's right and debt transactions

During the Reporting Period, the Company was not involved in any related creditor's right and debt transactions.

### (V) Others

Pursuant to relevant regulations and the requirements under the Circular on Matters Concerning Further Strengthening the Regulation of the Related Party Transactions of Securities Companies (《關於進一步加強證券公司關聯交易監管有關事項的通知》) (Hu Zheng Jian Ji Gou Zi [2018] No. 198) promulgated by the Shanghai Securities Regulatory Bureau, the Company carried out a special audit on related party transactions in 2018. In aspect of establishment of the management system for related party transactions, decision-making procedures and information disclosure, the Company did not found any non-compliance matters during the audit work. The 2018 Special Audit Report on Related Party Transactions of Haitong Securities Co., Ltd. was considered and approved at the 36th meeting of the sixth session of the Board.



## Section V SIGNIFICANT EVENTS

### XV. MATERIAL CONTRACTS AND THEIR PERFORMANCE

#### (I) Custody, contracting and leasing matters

During the Reporting Period, the Company was not involved in any material custody, contracting or leasing matters.

#### (II) Guarantees

Unit: Yuan Currency:RMB

External guarantees provided by the Company (excluding the guarantees for subsidiaries)														
Relationship between guarantor and the listed company	Party Guaranteed	Amount of guarantee	Date of provision of guarantee			Commencing date of guarantee	Expiry date of guarantee	Guarantee type	Guarantee fulfilled or not	Guarantee overdue or not	Amount of guarantee over due	Whether counterparty exists	Related parties	
			(execution date of agreement)	date of	date of								guarantee or not	guarantee or not
/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
Total amount of guarantees incurred in the Reporting Period (excluding the guarantees provided for subsidiaries)													0	
Total balance of guarantees at the end of the Reporting Period (A) (excluding the guarantees provided for subsidiaries)													0	
<b>Guarantees provided by the Company and its subsidiaries for its subsidiaries</b>														
Total amount of guarantees provided for subsidiaries during the Reporting Period													5,696,456,000.00	
Total guarantee balance provided for subsidiaries as at the end of the Reporting Period (B)													26,951,544,874.00	
<b>Total amount of guarantees provided by the Company (including those provided for subsidiaries)</b>														
Total amount of guarantees (A+B)													26,951,544,874.00	
Percentage of total guarantee amount to the net assets of the Company (%)													22.9	
Including:														
Amount of guarantees provided to shareholders, de facto controllers and their related parties (C)													0	
Amount of debt guarantees directly or indirectly provided for the parties guaranteed with the gearing ratio exceeding 70% (D)													19,915,385,800.00	
Amount of the portion of total guarantee exceeding 50% of net assets (E)													0	
Total amount of the above three types of guarantees (C+D+E)													19,915,385,800.00	

Explanations on outstanding guarantee which may undertake joint and several liability for repayment

## Section V SIGNIFICANT EVENTS

### Explanations on guarantees

1. On 27 March 2018, the Company held the 29th meeting of the sixth session of the Board, considering and approving the Proposal on Providing Joint Liability Guarantee for Offshore Debt Financing of Offshore Subsidiaries. On 19 December 2018, the Company signed a guarantee as a guarantor to provide a joint guarantee of EUR300 million for the credit loan of Haitong International Holdings, an offshore wholly-owned subsidiary of the Company. As at 31 December 2018, Haitong International Holdings has not yet withdrawn the loan, so the Company's guarantee responsibility has not actually taken place.
2. On 29 August 2017, the Company held the 25th meeting of the sixth session of the Board, considering and approving the Proposal on Providing Joint Liability Guarantee for Offshore Debt Financing of Offshore Subsidiaries. The loan was signed in separate two loan agreement. The Company signed the first loan agreement as a guarantor on 14 May 2018, and provided USD600 million joint liability for the syndicated loan of Haitong International Holdings, an offshore wholly-owned subsidiary of the Company.

On 8 October 2018, the Company signed the second loan agreement as a guarantor, and provided a joint guarantee of USD200 million for the bank loan of Haitong International Holdings, an offshore wholly-owned subsidiary of the Company. As at 31 December 2018, Haitong International Holdings had withdrawn the loan amount of USD170 million.



## Section V SIGNIFICANT EVENTS

3. On 27 April 2017, the Resolution on Provision of Joint and Several Guarantee for Offshore Debt Financing by Wholly-owned Offshore Subsidiary was considered and approved at the 24th meeting of the sixth session of the Board. On 8 June 2017, the Company entered into the Loan Agreement as a guarantor and provided joint and several guarantee in respect of the syndicated loans of EUR200 million for Haitong International Holdings, its wholly-owned offshore subsidiary.
  
4. On 29 August 2016, the Resolution on Providing Additional Guarantees for the Net Assets of HT Asset Management and Increasing Contribution to its Registered Capital was considered and approved at the 18th meeting of the sixth session of the Board, in which, the Company was approved to provide additional guarantees of no more than RMB4,000 million for the net assets of HT Asset Management. The Company provided guarantees up to RMB4,000 million for the net assets of HT Asset Management and undertook to provide cash within the abovementioned amount unconditionally to HT Asset Management when it needs cash to carry out business. The guarantees for the net assets are effective from the date of approval by the Board. With regard to this net capital guarantee, HT Asset Management has obtained the “No Objection Letter on Haitong Securities Co., Ltd. Issued a Net Capital Guarantee Commitment to Shanghai Haitong Securities Asset Management Co., Ltd.” from the CSRC Shanghai Bureau (Hu Zheng Jian Ji Gou Zi [2016] No. 325).

## Section V SIGNIFICANT EVENTS

5. On 9 February 2015, at the first extraordinary general meeting for 2015 and the first A Shareholders'/H Shareholders' Class Meetings for 2015, the Company considered and approved the Resolution on Increase in Quota of External Guarantee, in which, the Company was approved to provide joint and several guarantee for the offshore wholly-owned subsidiary(ies) of the Company for the issue of offshore debt financing instruments on a one-off or multiple issuances or multi-tranche issuances basis, through public or non-public offerings, and the aggregate size of the offshore corporate debt financing instruments should not exceed 50% of the net assets of the Company as at the end of the latest period.

On 5 June 2015, the Company held the sixth meeting of the sixth session of the Board, considering and approving the Resolution on Provision of Joint and Several Guarantee for Issuance of EUR Bonds by Wholly-owned Offshore Subsidiary. Due to actual condition of such issuance, it has been completed in two tranches, and two deeds of guarantee were signed. The Company signed the first deed of guarantee on 18 May 2016, pursuant to which, the Company provided joint and several guarantee for the issue of a Euro bond with the amount of EUR100 million and an interest rate of 1.6% which will be due in 2021 by Haitong International Finance Holdings 2015 Limited (a wholly-owned offshore subsidiary of the Company).



## Section V SIGNIFICANT EVENTS

The Company signed the second deed of guarantee on 26 May 2016, pursuant to which, the Company provided joint and several guarantee for the issue of a Euro bond with the amount of EUR120 million and an interest rate of 1.6% which will be due in 2021 by Haitong International Finance Holdings 2015 Limited (a wholly-owned offshore subsidiary of the Company).

6. On 30 March 2016, the Company held the 15th meeting of the sixth session of the Board, considering and approving the Resolution on Providing Financing Guarantees for Subsidiaries. On 26 May 2016, the 2015 annual general meeting of the Company considered and approved the Resolution on Advising General Meeting to Approve Authorisation to the Board to Determine Provision of Guarantees for Subsidiaries of the Company, whereby the Company was approved to provide joint and several guarantees for its wholly-owned subsidiaries (including those with a gearing ratio of more than 70%) and controlling subsidiaries in respect of their issuance of onshore or offshore debt financing instruments (including but not limited to bonds, subordinated bonds, ultra short-term financing bills, short-term financing bills, medium-term notes, notes and establishment of note programmes) on a one-off or multiple issuance or multi-tranche issuance basis through public offerings or private placements, as well as domestic or overseas bank loans (including but not limited to bank credit, bank loans and syndicated loans), and the aggregate amount of the external guarantees and the individual amount of any guarantee provided by the Company shall not exceed 50% and 10% of the Company's audited net assets as at the end of the latest accounting period, respectively.

## Section V SIGNIFICANT EVENTS

On 31 May 2016, the Company signed guarantee agreement and provided joint and several guarantee in respect of the syndicated loans of EUR750 million for Haitong Investment Ireland Public Limited Company, its indirect wholly-owned offshore subsidiary (“this guarantee”). This new financing was made for the purpose of replacing the former Euro loan of EUR 750 million (“NB loan”) provided by Novo Banco, S.A. (“NB”) to Banco Espirito Santo de Investimento, S.A. (now renamed as Haitong Bank, S.A., “Haitong Bank”), the offshore subsidiary of the Company. The resolution determined that the principal amount of the guaranteed new financing shall not exceed EUR800 million, with a guarantee term of no more than five years, and will repeal the former guarantee provided by the Company for NB loan.

Meanwhile, Haitong Bank signed bilateral loan agreement with the guaranteed party and repaid the former NB loan with the proceeds in advance according to the agreement entered into with NB, thus the former guarantee obligation of the Company as to NB loan was discharged. Such discharged guarantee was under a guarantee agreement signed by the Company on 7 September 2015 for the purpose of acquiring Haitong Bank, for which, the Company was the guarantor, Banco Espirito Santo de Investimento, S.A. (now renamed as Haitong Bank, S.A.) was the guaranteed party and NB was the creditor. The guarantee amount is EUR 750 million (including principal and interest) and the guarantee period is three years.



## Section V SIGNIFICANT EVENTS

The financing agreement related to this guarantee was signed on 31 May 2016. According to the guarantee provisions of the agreement, the Company is the guarantor, Haitong Investment Ireland Public Limited Company is the guaranteed party, the London Branch of China Construction Bank Corporation is the lead bank and Frankfurt Branch of China Construction Bank Corporation is the agent bank. The guarantee amount is EUR750 million (including principal, interest, initiation fee and other fees to be borne by the borrower) and the guarantee period is five years.

7. On 13 April 2015, the Company held the third meeting of the sixth session of the Board, considering and approving the Resolution on Provision of Joint and Several Guarantee for Issuance of U.S. Dollar Bonds by Wholly-owned Offshore Subsidiary. The Company provided joint and several guarantee for the issue of a USD bond with the amount of USD670 million and an interest rate of 3.5% which will be due in 2020 by Haitong International Finance Holdings 2015 Limited (a wholly-owned offshore subsidiary of the Company).
8. The Resolution on Providing Guarantee for the Net Assets of Shanghai Haitong Securities Asset Management Co., Ltd. was considered and approved at the 12th meeting of the fifth session of the Board, whereby the Company was approved by the Board to provide, at any time, guarantees of no more than RMB1,500 million for the net assets of HT Asset Management, to ensure that it maintains adequate net capital. On 9 June 2013, the CSRC Shanghai Branch issued the Letter on No-objection to the Issuance of Net Capital Guarantee Commitment Letter by Haitong Securities Co., Ltd. to Shanghai Haitong Securities Asset Management Co., Ltd. (Hu Zheng Jian Ji Gou Zi [2013] No.145), consenting the Company's provision of guarantee commitment of RMB800 million to HT Asset Management. The Company has deducted net capital of RMB800 million and correspondingly increased net capital of HT Asset Management by RMB800 million.



## Section V SIGNIFICANT EVENTS

### (III) Other Significant Contracts

✓ Not applicable

## XVI. DESCRIPTION OF OTHER SIGNIFICANT EVENTS

### 1. Proposed Non-public Issuance of A Shares Under General Mandate

Pursuant to the proposal regarding the proposed non-public issuance of A Shares under general mandate considered and approved at the 30th meeting of the sixth session of the Board held on 26 April 2018 and the 2017 annual general meeting held on 6 June 2018, the Company intends to issue A shares under general mandate by way of non-public issuance. Pursuant to this, the Company intends to issue no more than 1,618,426,236 A Shares to no more than 10 (inclusive) specific target subscribers, which is expected to raise a gross proceeds of up to RMB20.0 billion. The proposed non-public issuance of A Shares under general mandate is still in progress. Please refer to the announcement dated 26 April 2018 and circular dated 31 May 2018 of the Company for details.

### 2. The Implementation of Development Plan for 2018~2020 of the Company

On 26 April 2018, the 30th meeting of the sixth session of the Board considered and approved the "Development Plan for 2018~2020", further clarifying the development strategy, main tasks and business objectives for the next three years.

### 3. Capital Increase in Subsidiaries

#### (1) Completion of Capital Increase in Haitong Innovation Securities

According to the Proposal on Capital Increase of Haitong Innovation Securities Investment Co., Ltd. considered and approved at the 23rd meeting of the sixth session of the Board on 29 March 2017, the Company contributed additional capital of RMB600 million to Haitong Innovation Securities in December 2018. Upon completion of the capital increase, the registered capital of Haitong Innovation Securities increased to RMB4.1 billion.

#### (2) Completion of Capital Increase in Haitong International Holdings

According to the Proposal on Capital Increase of Haitong International Holdings considered and approved at the 23rd meeting of the sixth session of the Board on 29 March 2017, the Company contributed additional capital of RMB2 billion to its wholly-owned subsidiary Haitong International Holdings on 29 January 2019. Upon completion of the capital increase, the registered capital of Haitong International Holdings increased from HKD8.85 billion to HKD11.18 billion.



## Section V SIGNIFICANT EVENTS

### **(3) *Haitong Futures completed capital increase in Haitong Resources, a subsidiary of Haitong Futures***

According to the Proposal on Increase of Registered Capital of Haitong Resources by Haitong Futures considered and approved at the 28th meeting of the sixth session of the Board on 12 January 2018, Haitong Futures contributed additional capital of RMB300 million to its wholly-owned subsidiary Haitong Resources on 26 April 2018. Upon completion of the capital increase, the registered capital of Haitong Resources amounted to RMB500 million.

### **(4) *Fullgoal Fund increased capital by converting statutory surplus reserve***

On 19 April 2018, the 2018 annual general meeting of Fullgoal Fund considered and approved the increase of its registered capital, and approved the conversion of statutory surplus reserve of RMB220 million into capital to increase the registered capital to RMB520 million without any change to their original shareholding percentages.

### **(5) *HFT Investment increased the capital of Fortune HFT***

According to the Proposal on Capital Increase of Shanghai Fortune HFT Asset Management Co., Ltd. by HFT Investment approved at the 19th meeting of the sixth session of the Board on 28 October 2016, HFT Investment contributed additional capital of RMB20 million in total to its wholly-owned subsidiary Shanghai Fortune HFT Asset Management Co., Ltd. (the "Fortune HFT") by way of cash contribution in the first half of 2018. As of 31 December 2018, the registered capital of Fortune HFT amounted to RMB200 million, and HFT Investment held 100% of its equity interest.

## **4. Acquisition of, Incorporation of and Change in Subsidiaries**

- (1) Haitong Kunlun Equity Investment Management (Shanghai) Co., Ltd. (海通昆侖股權投資管理(上海)有限公司), a controlling subsidiary of Haitong M&A Capital Management (Shanghai) Co., Ltd. (海通併購資本管理(上海)有限公司), completed the cancellation of industrial and commercial registration on 19 April 2018.
- (2) On 13 July 2018, Haitong Innovation Securities has changed the business scope in its business license, and the business scope after the change was "Securities investment, financial products investment and equity investment. (Projects subject to approval as required by law shall be conducted only upon approval by relevant authorities)".

## **5. Other Matters of Subsidiaries**

### **(1) *Haitong Futures was listed on NEEQ***

Haitong Futures, a subsidiary of the Company, obtained the approval in respect of listing on the NEEQ on 29 December 2017 and completed the listing on 6 March 2018.

## Section V SIGNIFICANT EVENTS

### (2) *Launch of listing of Haitong UT*

As considered and approved at the 23rd meeting of the sixth session of the Board held on 29 March 2017 and 2016 Annual General Meeting held on 6 June 2017, Haitong UT proposed to spin off and be listed on the Main Board of the Hong Kong Stock Exchange separately through offering of foreign shares listed overseas (H shares). On 21 June 2017, Haitong UT obtained the notice of acceptance of application for administrative licence issued by the CSRC. On 27 June 2017, Haitong UT submitted the listing application (Form A1) to the Hong Kong Stock Exchange through the joint sponsors to apply for the listing and trading of H shares of Haitong UT on the Main Board of the Hong Kong Stock Exchange (hereinafter referred to as the "Listing Application"). The Listing Application has been renewed on 28 February 2018, 21 September 2018 and 25 March 2019 after expiring in six months from the date of the listing application.

According to the relevant regulations and guidelines of the CSRC and the Hong Kong Stock Exchange, in order to avoid horizontal competition, reduce related/connected transactions, and safeguard the interests of shareholders in the future, Haitong UT intends to directly or indirectly acquire or hold, via its Hong Kong subsidiary, the 25% equity interest in Haitong UniTrust Financial Leasing (Shanghai), Haitong UniFortune, and Gui'an UT respectively held by Haitong UT Capital. On 15 November 2017, Haitong UT Capital transferred its 25% equity interest in Haitong UniFortune held by it to Haitong UT Holdings, a wholly-owned subsidiary of Haitong UT Capital. On 19 January 2018, Haitong UT Capital transferred its 25% equity interest in Haitong UniTrust Financial Leasing (Shanghai) to Haitong UT Holdings. On 15 June 2018, Haitong UT Capital transferred its 25% equity interest in Gui'an UT to Haitong UT Holdings.

Given the validity of the authorisation period granted to the Board and its authorised person(s) to deal with, in their sole discretion, matters relating to the overseas listing of Haitong UT as resolved at the annual general meeting of 2016 was 18 months which has expired on 5 December 2018, at the 32th meeting of the sixth session of the Board held on 19 October 2018 and the extraordinary general meeting held on 5 December 2018, the Company considered and passed the resolution regarding the extension of the authorisation period for the Board and its authorised person(s) to deal with matters relating to the overseas listing of Haitong UT. The aforementioned authorisation is valid for 18 months, commenced from the date of considering and passing the resolution at extraordinary general meeting. If Haitong UT receives approvals from the CSRC and the Hong Kong Stock Exchange in connection with the overseas listing during such extended period, the authorisation period will end on the date of completion of all the offering matters relating to the overseas offering and listing of Haitong UT.



## Section V SIGNIFICANT EVENTS

On 22 February 2019, Haitong UT received the Approval on the Issuance of Overseas Listed Foreign Invested Shares of Haitong UniTrust International Leasing Co., Ltd. (Zheng Jian Xu Ke [2019] No. 230) from the CSRC, pursuant to which Haitong UT was approved to issue no more than 2,683,333,333 overseas-listed foreign invested shares at a par value of RMB1.00 per share, all being ordinary shares, and Haitong UT Capital Group Co., Limited, a shareholder of Haitong UT, was approved to convert no more than 4,559,153,176 unlisted foreign shares of Haitong UT into overseas listed foreign invested shares, which can be traded on the Main Board of the Hong Kong Stock Exchange subject to the relevant domestic and foreign laws, rules and regulations. The listing of H shares of Haitong UT is still in progress smoothly.

For details, please refer to the announcements of the Company dated 29 February 2017, 6 June 2017, 27 June 2017, 28 February 2018, 21 September 2018, 19 October 2018, 5 December 2018, 22 February 2019 and 25 March 2019, and the circulars of the Company dated 16 May 2017 and 1 November 2018.

### **(3) Bonds issuance by HT Asset Management**

On 4 April 2018, HT Asset Management completed the issuance of the first tranche subordinated bond for 2018 with a total amount of RMB1 billion, the nominal interest rate of 6.05%, the maturity of 3+2 years, and the options for the issuer to adjust the nominal interest rate and for the investors to sell back to the issuer can be exercised at the end of the third interest-bearing year.

On 31 October 2018, HT Asset Management completed the issuance of the second tranche subordinated bond for 2018 with a total amount of RMB1 billion, the nominal interest rate of 5.34%, the maturity of 3+2 years, and the options for the issuer to adjust the nominal interest rate and for the investors to sell back to the issuer can be exercised at the end of the third interest-bearing year.

## Section V SIGNIFICANT EVENTS

### XVII. ACTIVITIES FOR FULFILLMENT OF SOCIAL RESPONSIBILITIES

#### (I) Poverty alleviation works of the listed company

The year 2018 kicks off efforts to implement the decisions of the 19th National Congress of the Communist Party of China, to ensure success in the three critical battles against potential risk, poverty, and pollution, which are important for decisively bringing to completion the building of a moderately prosperous society in all respects, and to establish the ways for poverty alleviation. For Haitong Securities, 2018 is also a year to further strengthen the effort on poverty alleviation. The Company continues to follow and implement the Opinions of the CSRC on Serving the State's Strategy of Poverty Alleviation by the Functioning of Capital Market, to implement the Notice on Taking the "Double One Hundred" Targeted Poverty Alleviation Actions through Villages and Enterprises Pair-up issued by the Shanghai Municipal Committee, and actively performs our social responsibilities and spares no effort in the work of poverty alleviation via poverty relief through "one company to one county" pair-up, capital market industries supporting, "urban to rural Party organisations" pair-up, targeted poverty alleviation, and poverty alleviation through social charity, etc.

#### 1. *Plans for targeted poverty alleviation*

The Company has formulated a set of relatively complete poverty alleviation plans through the two-year poverty alleviation practices in 2016 and 2017. The keynote of poverty alleviation of the Company remains unchanged and still focuses on the following three aspects in 2018. Firstly, the Company builds all-round cooperative relationship with the local governments of state-level underprivileged counties by entering into framework agreements for poverty relief through "one company to one county" pair-up, promotes the sustainable development and stable growth of regional economies, and helps the underprivileged to relieve from poverty, striving to assist the local governments in completing local economy transformation in 2018 and 2019, thus achieving the goal of targeted poverty alleviation. Secondly, taking advantage of its professional financial services and financial resources, the Company focuses on financial poverty alleviation to promote stable developments of local economy by using multi-level financing functions of the capital markets. Thirdly, the Company cooperated with urban and rural party organisation in poverty-stricken villages and towns in the suburbs of Shanghai, to facilitate the development of local economy by taking various poverty alleviation measures.



## Section V SIGNIFICANT EVENTS

### 2. Summary of targeted poverty alleviation for the year

- (1) *Implementing targeted poverty alleviation strategy and actively carrying out the activities of poverty relief through “one company to one county” and “double one hundred” pair-up.*

After the Company has entered into framework agreements for poverty relief through “one company to one county” pair-up with Lixin County of Bozhou City, Anhui Province, Ningdu County of Ganzhou City, Jiangxi Province, and Shucheng County of Lu’an City, Anhui Province at the end of 2016, this year the Company entered into framework agreements for poverty relief through “one company to one county” pair-up with Xichou County of Wenshan Autonomous Prefecture, Yunnan Province. The Company deepened cooperation with the local governments on technical support, poverty alleviation funds, financial services, poverty alleviation by consumption, and talent exchange to build a long-term mechanism for poverty relief.

The Company continued to dedicate poverty alleviation funds of RMB3 million in total to the three pair-up local governments for purchasing multimedia teaching equipment and funding poor students and rewarding outstanding students for Ningdu Technical School, constructing the 8 km gravel road project in the Ancai Village of Luzhen township, Shucheng, and implementing the “Haitong Passing on Love” public welfare program of donating recycled computers to those in need, the “Haitong Preaching Love” training program for rural teachers, and the “In Haitong We Love” insurance program.

In the first quarter, the Company held poverty alleviation meetings and pair-up cooperation as well as symposiums on pair-up cooperation with Lixin and Ningdu counties. This set the keynote for poverty alleviation throughout the year. In the first half of 2018, the Company donated RMB2.25 million to the photovoltaic power station project in Wuyu Village, Zhaizi Township, Xi County, Shanxi Province to well support the development of local economy; implemented the “Haitong Preaching Love” training program for rural teachers by assisting a total of 50 rural teachers from seven provinces to receive training in Shanghai in July 2018, performed the “Haitong Passing on Love”, “Fullgoal Passing on Love” public welfare program of donating recycled computers into practice with Fullgoal Fund to those in need, provided children with congenital heart diseases with medical assistance in Shucheng County by donating RMB368.7 thousand medical fees to the local Red Cross for helping 20 children with congenital heart diseases, which was awarded the “2018 the Best Medical Poverty Alleviation Project Award in China’s Securities and Futures Industry” and put the “In Haitong We Love” insurance program into effect in Lixin County.

## Section V SIGNIFICANT EVENTS

In the second half of 2018, the Company responded to the Shanghai Municipal Committee's call for implementing the "double one hundred" activity of poverty relief through villages and enterprises pair-up to further carry out the pair-up activity in the trouble-water areas of poverty alleviation – Mepuzi Village of Dongma Township, Zhongzhai Village and Wangjiatang Village of Jijie Township, the three poor villages in Xichou County, Yunnan Province. On the basis of signing the agreement for poverty relief through "one company to one county" pair-up with Xichou County, the Company has repeatedly taken site visits in the poverty-stricken mountainous areas and visited the plantation bases of poverty-stricken mountain villages to understand the real situation of local poverty, and further signed the agreement for pair-up poverty relief with two local villages. At present, the poverty alleviation funds of RMB1.5 million dedicated to Xichou County has been quickly put in place and are set to invest in the black-bone chicken industry base of Mepuzi Village, the citrus industry base of Zhongzhai Village and the Chinese herbal medicine industrial base of Wangjiatang Village.

Meanwhile, the Company has established a helping and participating way for poverty alleviation by consumption to help underprivileged areas export high-quality agricultural and sideline products, thus creating Haitong's poverty alleviation industrial culture. By the end of 2018, the Company has successively purchased the poverty alleviation packages for Xichou County of Yunnan Province and four counties in Kashgar of Xinjiang Province. The packages include nearly 2,000 poverty alleviation agricultural products with a total price of approximately RMB800,000. The Company assists in the product sales and brand promotion of Shanghai's one-on-one aid areas through consumption of products and services in poor areas.

(2) *Promoting local economic growth with professional financial services of capital market and financial poverty alleviation*

The Company leveraged on its advantages of securities and futures sectors and actively explored the financial functions and mechanism of the capital market to carry out targeted poverty alleviation in areas of investment banking, bond financing, listing on NEEQ, futures operation, capital investment and financial leasing. It supported the underprivileged areas to broaden financing channels, lower financing costs and avert market risks with business policies tending to the economic support for underprivileged areas so as to bring in a multi-channel and multi-level situation for poverty alleviation.



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Since helping Jiaze New Energy successfully listed on the SSE in 2017, the Company has continued in-depth cooperation with Jiaze New Energy in 2018, privately issued RMB1.2 billion of exchangeable corporate bonds as the lead underwriter and the bond trustee for Jinyuan Rongtai (金元榮泰), the controlling shareholder of Jiaze New Energy, and has obtained a no objection letter. The Company has successfully sponsored the listing of Jinli Permanent Magnet (金力永磁) in Ganzhou, and helped it become the first magnetic material A-share listed company in Ganzhou City, Jiangxi Province, the traditional revolutionary base, which is a typical representative enterprise for China's promotion of rare earth strategic resources deep processing and manufacturing.

In 2018, Lixin County Chunlei Agricultural Development Co., Ltd., established by funding from the Lixin County Finance Bureau, has received no objection letter from the SSE on 29 June for its initially non-public issuance of poverty alleviation special corporate bonds with an issuance size of RMB1.2 billion and a maturity of 3 years. The tranche 1 issuance by way of book building with an issuance size of RMB60 million was successfully completed on 7 December. As the main provider of infrastructure construction and public utility services in Lixin County, Lixin County Chunlei Agricultural Development Co., Ltd. has bear the important mission of urban and rural development and people's livelihood services in Lixin County. Gansu Jinxin New Material Technology Co., Ltd., which is recommended by the Company (as main underwriter), was listed on NEEQ in July and has become the first enterprise in Longnan District listed on NEEQ. The enterprise is Located in the national-level key poor county of Wudu District, Gansu Jinxin New Material Technology Co., Ltd. is the employment unit for the disabled in Gansu Province and one of the first batch of vocational training bases for the disabled.

In 2018, Haitong Futures launched the "insurance + futures" projects in 5 national-level poor counties, providing financial professional poverty alleviation support for industries including rubber in Jinping County of Yunnan Province, soybean in Huachuan County of Heilongjiang Province, white sugar in Lianghe County of Yunnan Province, cotton in Yingjisha County of Xinjiang Province and apples in Yanchang County of Shaanxi respectively, involving 5,110 registered households, capital investment of nearly RMB7.8 million (of which RMB6.5 million is supported by the exchange) and a total of RMB3.92 million settled claims. Among others, the soybean "insurance + futures" project in Huachuan County has been carried out for two consecutive years and was awarded the "2018 Best Targeted Poverty Alleviation Project Award in China Securities and Futures Industry".



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(3) *Actively carrying out urban and rural Party organisations' pair-up and providing intellectual support for building beautiful villages in Shanghai*

The Company continued to carry out poverty relief in Jianshe Town of Chongming District, Langxia Town of Jinshan District, Guangming Village in Xuanqiao Town of Pudong New Area in Shanghai through urban and rural Party organisations pair-up activities. In January 2018, the deputy secretary of the Party Committee and general manager of the Company Mr. Qu Qiuping led a team to Guangming Village in Pudong New Area to visit the elderly people, sent them comfort money and comfort gifts, and brought with them the care and blessings of the Company's Party organisation. Meanwhile, the Company supported the local to regularly hold various art and cultural activities including talent show for intelligence promotion, provided education on inclusive finance to the local investors, improved the ability of local residents to guard against financial risks, and further promoted those pair-up activities.

(4) *Actively responding to the call of the central government for poverty alleviation and assisting in targeted poverty alleviation and promotion of corporate culture*

While the activities of poverty relief through "one company to one county" pair-up were carried out by the Company headquarters, the branches of the Company also took action by resolutely responding to the Party Central Committee's general mobilisation order to win the fight against poverty. By relying on local securities regulatory bureau or the securities industry association, they actively engaged in the career of fighting against poverty and assisted in targeted poverty alleviation by investing in poverty alleviation charity funds and participating in special poverty alleviation activities. "Making sure the poverty alleviation helps those who really need help" has become a cultural brand in Haitong Securities' fulfilment of its social responsibilities, while solid and meticulous poverty alleviation has also flourished in the Company.

Shanxi Branch assisted the head office in funding the photovoltaic power station project in Wuyu Village, Zhaizi Township, Xi County, Linfen, Shanxi Province, carried out site visit for survey in Xi County, and investigated power station projects, which is the first time that local brokers and local governments have jointly explored a new path for poverty alleviation. Guizhou Branch on behalf of the Company donated to Anshun City, Guizhou Province RMB200,000 of the second batch of Hope Canteens for Guizhou's Securities and Futures Industry. Together with 10 brokers including U-shine Fund Management Co., Ltd., the Company has donated



## Section V SIGNIFICANT EVENTS

the construction of totally 10 Hope Canteens which benefits more than 2,500 teachers and students of 10 schools. The Yinchuan business department of Shaanxi Branch sent Wang Wenbo, a young Party member, to station in villages to help the poor for half a year. He has become the first person in Haitong to go deep into the frontline of poverty alleviation and donated RMB30,000 of poverty alleviation funds to Pengyang County. Xinjiang Branch jointly launched the “Sunshine Spring Bud” poverty alleviation plan in Kashgar, Xinjiang, and made donation to more than 200 poor people, contributing to local poverty alleviation and maintaining stability. Shenzhen branch cooperated with the Yushui Charity Fund to carry out various charitable activities such as helping students and visiting the elderly people, fulfilling social responsibility for promoting Chinese traditional virtues. Guangdong branch went to Xiayi Village, Lechang City, Shaoguan to visit the poor households, donated daily supplies, and promoted the concept of love. Gansu Branch donated RMB50,000 of special poverty alleviation funds to Lvjiala Village of Pingliang City for planting cash crops in the village. Henan Branch went to Lankao County to carry out the “Financial Services for Real Economy” project matching, providing an effective solution for refinancing of companies applying for listing in Lankao County. Fujian Branch signed an agreement for helping the tea garden with Xiadang Village, Shouning County, Ningde City, which is China’s first poverty alleviation custom tea garden and was selected as a typical case of the State Council Poverty Alleviation Office. Shandong Branch donated a total amount of RMB148,200 for poverty alleviation annually for the purpose of beautifying rural construction and donating books to love book house and so on. Sichuan Branch donated RMB100,000 to the Dangerous Housing Reconstruction Project of Longyin Temple Village in Yuechi County, benefiting 71 poor households and 203 people.

(5) *Striving to carry out poverty alleviation and social charity and actively fulfilling corporate social responsibilities*

While creating economic benefits, the Company also committed to fulfilling corporate social responsibilities through donations to education, poverty alleviation, loving charity and other public welfare activities. On 8 September, the Company held a public welfare walking tour by the riverside of Huangpu River on the theme of “30 years forward, staying stable and far-reaching” to celebrate the 30th anniversary of the Company’s establishment. The series of public welfare walking tour activities are divided into two parts, online and offline. The online healthy walking lasted for 30 days and contributed more than 600 million steps, while the offline public welfare walking tour lasted for two months, and more than 30 organisations organised nearly 100 events. The staff of the Company raised more than RMB1 million of public welfare funds, and established the “Haitong Public Welfare Special Fund” with the support of the Shanghai Charity Foundation. The first project after the establishment of the fund is to carry out the “Love in Haitong, Beautiful Tibet” student aid project together with the Liberation Daily branch life, to support 30 poor college students for four years of university in Shigatse, Tibet with RMB0.6 million.

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The Youth League Committee of the Company organised the league members from the entire system to carry out the “Realising the 30-year Dream for Public Good” Haitong Youth Volunteer activity, calling on young employees to uphold the spirit of Lei Feng and radiate the vitality of youth. All departments, branches, and subsidiaries of the Company also become actively involved in charitable activities and organised various public benefit activities including caring pickup services to support the college entrance examination, targeted donations for education, professional training on poverty alleviation, public benefit fair, dispatching employees to reside in villages for support, revitalising rural donations, community welfare comforting, and financial community services. The concept of repaying and devoting to the society have been instilled among Haitong employees and blended in corporate culture of the Company.

### 3. Performance of targeted poverty alleviation

Indicators	Quantity and status
<i>RMBO'000</i>	
<b>I. Summary</b>	
Including: 1. Capital input	1,023.25
2. In-kind input	7.24
3. Number of reduction in registered underprivileged population through help and support (unit: person(s))	1,746
<b>II. Itemised Input</b>	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	<input type="checkbox"/> Agriculture and forestry development poverty alleviation <input type="checkbox"/> Tourism poverty alleviation <input type="checkbox"/> E-commerce poverty alleviation <input type="checkbox"/> Asset income poverty alleviation <input checked="" type="checkbox"/> Technology poverty alleviation <input type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects (unit: project(s))	3
1.3 Amount invested in industrial poverty alleviation projects	335



## Section V SIGNIFICANT EVENTS

Indicators	Quantity and status
2. Poverty alleviation through education	
Including: 2.1 Amount of subsidies granted to underprivileged students	16
2.2 Number of subsidised students (unit: person(s))	/
2.3 Amount contributed to improve educational resources in underprivileged areas	61.24
3. Healthcare poverty alleviation	
Including: 3.1 Invested amount of medical and healthcare resources in poverty-stricken areas	37.88
4. Poverty alleviation through ecological conservation	
Including: 4.1 Project names	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> development of ecological conservation and construction</li> <li><input type="checkbox"/> establishment of compensation mechanism for ecological conservation</li> <li><input type="checkbox"/> creation of public welfare jobs for ecological conservation</li> <li><input type="checkbox"/> others</li> </ul>
4.2 Contributed amount	5
5. Social poverty alleviation	
Including: 5.1 Contributions to poverty alleviation cooperation between the east and west	/
5.2 Contributions to fixed-point poverty alleviation work	450
5.3 Poverty alleviation charity fund	16.35
6. Other projects	
Including: 6.1 Number of projects	15
6.2 Contributed amount	109.02
6.3 Number of reduction in registered underprivileged population through help and support (unit: person(s))	/

## Section V SIGNIFICANT EVENTS

Indicators	Quantity and status
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### III. Awards (nature, level)

The Company's free surgery public welfare activities for children with congenital heart diseases in Shucheng County was awarded the "2018 Best Medical Poverty Alleviation Project Award in China's Securities and Futures Industry"

The soybean "insurance + futures" targeted poverty alleviation project in Huachuan County, Heilongjiang Province of Haitong Futures was awarded the "2018 the Best Targeted Poverty Alleviation Project Award in China Securities and Futures Industry"

#### 4. *Plan for future targeted poverty alleviation work*

2019 marks the year of reinforcements for winning the poverty alleviation battle, and a sprint stage for the underprivileged counties, with whom the Company pairs up, to shake off their poverty. The Company will continue to shoulder the social responsibility for targeted poverty alleviation by taking full of its own edges, with an aim to provide services in respect of the transition and development of underprivileged areas and pull the underprivileged out of poverty and become rich. The Company will focus its effort on "one company to one county" pair-up, capital market industries supporting, a new round of village comprehensive poverty relief and poverty alleviation through social charity, and will make achievements from the following aspects: firstly, the Company will go all out to support underprivileged counties' poverty alleviation and further improvement. Based on the two years of poverty alleviation in the early stage and according to the requirements of the central government, the China Securities Regulatory Commission and the Securities Association of China, the Company will step up exploring local industrial advantages and economic transformation opportunities, expand local enterprises' financing channels, and assist local governments in soliciting businesses and attracting investments, with focus on cultivation of local agricultural industry bases by leveraging capital supporting to strive for helping one to two pair-up counties to complete the task of poverty alleviation. Secondly, the Company will take the advantage of the Group and consolidate financial resources to provide underprivileged areas with multi-channel, multi-type, and all-round financial services through various services such as investment banking, merger & acquisition, NEEQ, bond financing, futures, leasing and investment, thus improving financing efficiency, reducing financing cost and enhancing the self-development capabilities of underprivileged areas. Thirdly, the Company will actively respond to the calls of Shanghai Municipal Committee regarding poverty alleviation to implement Shanghai's new round of village comprehensive poverty relief, poverty alleviation by pairing up between urban and rural areas' party organisations ("pairing up with hundred towns and thousand villages"), and targeted poverty alleviation action by pairing up between villages and enterprises ("hundred enterprises in support of hundred villages"), and make achievements in the poverty alleviation for Chongming district, three economically disadvantaged Shanghai suburban villages and three underprivileged villages in Xichou County, Wenshan Autonomous Prefecture, Yunnan Province. Fourthly, riding on the "In Haitong We Love" series of public welfare activities, the Company will further take its brand advantage in charity activities to deepen development of the public welfare brand "In Haitong We Love"



## Section V SIGNIFICANT EVENTS

through various ways, such as further donation to the Tibetan college student education program, the Learn From Lei Feng's Good Example public welfare services, and Walk for Love public welfare donations, so as to carry forward the virtue of Chinese traditions and advocate fulfilment of corporate social responsibilities.

### (II) Environmental policies and performance and activity fulfilling social responsibilities

In terms of the environmental policies and performance, the Company has complied with the comply or explain" provisions specified in "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Hong Kong Listing Rules and actively assumed environmental responsibility. During the Reporting Period, the Company did not find any environmental-related violations. In response to the national policy orientation and the trend of domestic economic transformation, the Company responded to the call of regulatory agencies to support green industry and green project development, creating green value through multichannel and multi-variety green financing tools. In 2018, the Company participated in the underwriting of seven green financial bonds, green enterprise bonds and green corporate bonds, with a total financing amount of more than RMB13 billion. The Company adheres to the principles of energy saving and environmental protection, continuously carries out energy saving transformation in offices, vigorously advocates for the concept of green office, aiming to reduce office resources waste, improve utilization rate of resources and energy, reduce operating costs, and create a green and efficient working environment. The Company takes advantage of the technologies including cloud computing and virtualization to maximize the utilization of all the resources of hardware platform, reduce the space occupation and minimize the energy consumption of equipment and facilities in the data centers. The Company has built an online OA system to issue internal notices and plans in electronic edition, and encourages paper saving, duplex printing, and reusing of single-sided printing paper to reduce paper consumption. Due to its outstanding performance in energy conservation and emission reduction, the Company won the "Outstanding Creativity Award 2018 in the energy saving and emission reduction competition of key energy consumers of financial system in Shanghai" issued by Financial Service Office of Shanghai Municipality.

For details of specific environmental policies and performance of the Company, its compliance with such laws and regulations which may materially affect the Company, the important relationship between the Company and its employees, customers and suppliers, please refer to the 2018 Corporate Social Responsibility Report as published on the website of Shanghai Stock Exchange (<http://www.sse.com.cn>), the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>), and the Company's own website (<http://www.htsec.com>) on 27 March 2019.

### (III) Environmental Information

The Company and its subsidiaries are not listed as key pollutant discharge enterprises and do not involve relevant information.

## XVIII. CONVERTIBLE CORPORATE BONDS

During the Reporting Period, the Company did not issue any convertible bonds.

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

#### (I) Table of changes in ordinary shares

##### 1. *Table of changes in ordinary shares*

There were no changes in total ordinary shares or share capital structure of the Company during the Reporting Period.

##### 2. *Particulars about changes in ordinary shares*

There were no changes in the total number of ordinary shares or share capital structure of the Company during the Reporting Period. As at the end of the Reporting Period, there were 8,092,131,180 A Shares and 3,409,568,820 H Shares.

##### 3. *Effect of changes in ordinary shares on financial indicators such as earnings per share and net assets per share for the most recent year and most recent period (if any)*

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

##### 4. *Other disclosures deemed necessary by the Company or required by securities regulatory authorities*

✓ Not applicable

#### (II) Changes in restricted shares

All shares of the Company are circulating shares, and there are no restricted shares of the Company.



## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### II. SECURITIES ISSUANCE AND LISTING

#### (I) Issuances of securities as at the end of the Reporting Period

Currency: RMB

Type of stocks and derivative securities	Date of issuance	Issue price or rate	Issue size	Date of listing	Amount approved for listing and trading	Date of termination of trading
Corporate bonds	25 November 2013	6.15%	RMB2.35 billion	16 December 2013	RMB2.35 billion	22 November 2018
Corporate bonds	25 November, 2013	6.18%	RMB2.39 billion	16 December 2013	RMB2.39 billion	23 November 2023
Corporate bonds	14 July 2014	5.45%	RMB4.55 billion	13 August 2014	RMB4.55 billion	11 July 2019
Corporate bonds	14 July 2014	5.85%	RMB0.8 billion	13 August 2014	RMB0.8 billion	11 July 2024
Corporate bonds	11 August 2017	4.63%	RMB5 billion	24 August 2017	RMB5 billion	7 August 2020
Corporate bonds	11 August 2017	4.80%	RMB1 billion	24 August 2017	RMB1 billion	9 August 2022
Corporate bonds	22 September 2017	4.99%	RMB5.5 billion	10 October 2017	RMB5.5 billion	20 September 2027
Corporate bonds	25 October 2017	4.77%	RMB0.5 billion	7 November 2017	RMB0.5 billion	22 October 2020
Corporate bonds	8 March 2018	5.15%	RMB3 billion	16 March 2018	RMB3 billion	4 March 2021
Corporate bonds	22 March 2018	5.14%	RMB3 billion	3 April 2018	RMB3 billion	18 March 2021
Corporate bonds	10 May 2018	4.70%	RMB3 billion	25 May 2018	RMB3 billion	6 May 2021
Corporate bonds	6 August 2018	3.98%	RMB3 billion	17 August 2018	RMB3 billion	4 August 2021
Corporate bonds	22 November 2018	3.88%	RMB3 billion	5 December 2018	RMB3 billion	18 November 2021
Subordinated bonds	8 April 2015	5.50%	RMB15 billion	11 May 2015	RMB15 billion	04 April 2018
Subordinated bonds	12 June 2015	5.38%	RMB5 billion	26 August 2015	RMB5 billion	08 June 2018
Subordinated bonds	17 November 2016	3.30%	RMB4 billion	30 November 2016	RMB4 billion	14 November 2019
Subordinated bonds	17 November 2016	3.40%	RMB2 billion	30 November 2016	RMB2 billion	15 November 2021
Subordinated bonds	16 March 2017	4.80%	RMB4.5 billion	30 March 2017	RMB4.5 billion	12 March 2020
Non-public corporate bonds	18 May 2016	3.60%	RMB15 billion	15 June 2016	RMB15 billion	15 May 2019*
Non-public corporate bonds	18 May 2016	3.80%	RMB5 billion	15 June 2016	RMB5 billion	13 May 2021

\* In the event that the issuer determines to exercise its option of redemption, the date of termination of trading will be determined according to the stipulation in the prospectus.



## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### 1. *Corporate bonds*

Pursuant to the Proposal regarding the Issuance of Corporate Bonds and Proposal regarding the General Mandate to Issue Corporate Bonds considered and approved at the 16th meeting of the fifth session of the Board on 26 March 2013 and the 2012 annual general meeting of the Company held on 27 May 2013, respectively, upon approval by the CSRC with the Zheng Jian Xu Ke [2013] No.1220 issued on 25 September 2013, the Company was permitted to issue corporate bonds with a total nominal value of no more than RMB23.0 billion through public offering. The corporate bonds were issued in tranches, and the issue timing, size and other terms of each tranche were determined by the Company upon negotiation based on factors such as market conditions. The issue of the first tranche with a size of RMB12.0 billion was completed on 27 November 2013, of which the issue size of the corporate bonds with a term of three years, five years and ten years were RMB7.26 billion, RMB2.35 billion and RMB2.39 billion, respectively. The issue of the second tranche with a size of RMB11.0 billion was completed on 16 July 2014, of which the issue size of the corporate bonds with a term of three years, five years and ten years were RMB5.65 billion, RMB4.55 billion and RMB0.8 billion, respectively. In particular, a corporate bond with a term of three years issued in the first tranche has been delisted on 25 November 2016, and relevant principal and interests had been paid. A corporate bond with a term of five years has been delisted on 26 November 2018, and relevant principal and interests had been paid. A corporate bond with a term of three years issued in the second tranche has been delisted on 14 July 2017, and relevant principal and interests had been paid.

According to the Proposal regarding the General Mandate to Issue Domestic Debt Financing Instruments considered and approved at the 15th meeting of the sixth session of the Board on 30 March 2016 and the 2015 general meeting of the Company on 26 May 2016, the Company applied to Shanghai Stock Exchange and the CSRC and obtained the Reply on Approving the Public Offering of Corporate Bonds to Qualified Investors by Haitong Securities Co., Ltd. (Zheng Jian Xu Ke [2017] No. 408). The reply permitted us to publicly issue corporate bonds with nominal value of no more than RMB12 billion to qualified investors. Based on the above proposal and regulatory approval, the Company issued three tranches of corporate bonds. The issue of first tranche of RMB6.0 billion was completed on 11 August 2017, of which the issue size of corporate bonds with a term of three years and five years were RMB5.0 billion and RMB1.0 billion, respectively. The issue of the second tranche with a size of RMB5.5 billion and a term of ten years was completed on 22 September 2017. The issue of the third tranche with a size of RMB0.5 billion and a term of three years was completed on 25 October 2017.

In December 2017, the Company obtained the Letter of Approval for Haitong Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2017] No. 2388) from the Shanghai Stock Exchange and the CSRC. The Letter approved the Company to publicly issue corporate bonds with an aggregate nominal amount not exceeding RMB20.0 billion to qualified investors. Based on the aforesaid letter of approval, during the Reporting Period, the Company issued five tranches of corporate bonds, all of which with a size of RMB3.0 billion and a term of three years. The dates of issuance of the corporate bonds were 8 March 2018, 22 March 2018, 10 May 2018, 6 August 2018 and 22 November 2018, respectively.



## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### 2. *Subordinated bonds*

Pursuant to the Proposal regarding the General Mandate to Issue Other Onshore Debt Financing Instruments considered and approved at the Company's 32nd meeting (extraordinary meeting) of the fifth session of the Board, the first extraordinary general meeting of 2015 and the 2015 first A shareholders'/H shareholders' class meetings, the two tranches of subordinated bonds with an aggregate size of RMB35.0 billion issued by the Company in 2015 were fully redeemed as at the end of the Reporting Period. The first tranche (15 Haitong C1) with an issue size of RMB15.0 billion was issued on 8 April 2015, the term of which was five years and the issuer was entitled to redeem the bonds at the end of the third year. The bonds were fully redeemed on 8 April 2018 and the notes to the exercise of right of redemption and the results of repayment were published on the website of the SSE. The issuance of the second tranche of RMB20.0 billion was completed on 12 June 2015, of which, the first type of the bonds (15 Haitong C2) was of RMB15.0 billion and with a maturity of three years and issuer's right of redemption was at the end of the second year; the second type of the bonds (15 Haitong C3) was of RMB5.0 billion and with a maturity of five years and the issuer's right of redemption was at the end of the third year. The redemption right of 15 Haitong C2 was exercised and delisted on 12 June 2017 and relevant principal and interests had been fully paid; 15 Haitong C3 was fully redeemed on 12 June 2018 and the notes to the exercise of right of redemption and the results of the repayment were published on the website of the SSE.

Pursuant to the approval of "Shang Zheng Han [2016] No. 2080" issued by the SSE on 4 November 2016, the Company issued the subordinated bonds of RMB6.0 billion in November 2016, of which, the first type of the bonds was of RMB4.0 billion and with a maturity of three years; the second type of the bonds was of RMB2.0 billion and with a maturity of five years; and the subordinated bonds of RMB4.5 billion and with a maturity of three years were issued in March 2017.

### 3. *Non-public issuance of corporate bonds*

In accordance with the No Objection Letter to Haitong Securities Co., Ltd. on the Listing and Transfer of Non-public Issuance of Corporate Bonds issued by the Shanghai Stock Exchange (Shang Zheng Han [2016] No. 886), the Company non-publicly issued corporate bonds with a size of RMB20.0 billion in May 2016, of which, the first type of the bonds was of RMB15.0 billion and with a maturity of four years and issuer's right of redemption was at the end of the third year; the second type was of 5.0 billion and with a maturity of five years.

### 4. *Offshore financial bonds*

According to the Proposal regarding the General Mandate to Issue Offshore Debt Financing Instruments considered and approved at the 17th meeting of the sixth session of the Board on 29 July 2016 and the first extraordinary meeting of 2016 of the Company on 23 September 2016 as well as the Enterprise Foreign Debt Pre-Issuance Registration Certificate (Fa Gai Ban Wai Zi Bei [2018] No. 330) issued by the NDRC, the Company completed the issuance of bonds due 2023 with an amount of US\$300 million and a rate of 4.50%, and floating rate bonds due 2023 with an amount of EUR230 million and a rate of 3M EURIBOR EUR+1.65% on the Hong Kong Stock Exchange on 13 December 2018. Please refer to the announcement of the Company dated 13 December 2018 for details.

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### 5. Description on the issuance of securities of subsidiaries during the Reporting Period

For existing bonds of different subsidiaries during the Reporting Period, please refer to Note 50 to the Consolidated Financial Statements of this Report.

### (II) Changes in total number of ordinary shares of the Company and shareholding structure and assets and liabilities structure of the Company

✓ Not applicable

### (III) Information on existing internal employee shares

As at the end of the Reporting Period, the Company had no internal employee shares.

### (IV) Repurchase, sale or redemption of securities of the Company

As disclosed in “– Securities issuance and listing – 2. Subordinated bonds”, the Company issued the first tranche of subordinated bonds (15 Haitong C1) with an aggregated amount of RMB15.0 billion on 8 April 2015, the term of which was five years and the issuer was entitled to redeem the bonds at the end of the third year. 15 Haitong C1 was fully redeemed by the Company on 8 April 2018 and the total principal and interest of the 15 Haitong C1 of RMB15,825,000,000 were fully repaid by the Company. 15 Haitong C1 was delisted from the Shanghai Stock Exchange on 9 April 2018. The Company issued the second tranche of subordinated bonds with an aggregated amount RMB20.0 billion on 12 June 2015, consisting of the first type of the bonds (15 Haitong C2) with an amount of RMB15.0 billion and a maturity of three years and issuer’s right of redemption was at the end of the second year, and the second type of the bonds (15 Haitong C3) with an amount of RMB5.0 billion and a maturity of five years and the issuer’s right of redemption was at the end of the third year. 15 Haitong C2 and 15 Haitong C3 were fully redeemed by the Company on 12 June 2017 and 12 June 2018, respectively, the total principal and interest of RMB15,795,000,000 and RMB5,269,000,000 were fully repaid by the Company. 15 Haitong C2 and 15 Haitong C3 were delisted from the Shanghai Stock Exchange on 12 June 2017 and 12 June 2018, respectively. Please refer to the announcements of the Company dated 27 March 2018, 1 June 2017 and 1 June 2018 for details.

Save as disclosed in this Report, during the Reporting Period, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed the listed securities of the Company, other than trading of the securities by the Company or its subsidiaries on behalf of the clients.

## III. INFORMATION ON SHAREHOLDERS AND DE FACTO CONTROLLERS

### (I) Total number of shareholders

Total number of shareholders of ordinary shares (accounts) as at the end of the Reporting Period	268,266 (of which 268,108 were holders of A Shares and 158 were holders of H Shares)
Total number of shareholders of ordinary shares (accounts) as at the end of the previous month prior to the date of disclosure of the annual report	269,333 (of which 269,176 were holders of A Shares and 157 were holders of H Shares)



## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### (II) Table of shareholdings of the top ten shareholders and the top ten shareholders of circulating shares (or shareholders not subject to trading moratorium) as at the end of the Reporting Period

Unit: Share

Name of shareholders (Full name)	Shareholdings of the top ten shareholders						
	Changes in the number of shares during the Reporting Period	Number of shares held as at the end the Reporting Period	Percentage	Number of shares held subject to trading moratorium	Particulars of shares pledged or frozen		Nature of shareholders
					Particulars of shares	Number of Shares	
Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited")	-25,266	3,408,842,296	29.64%	0	N/A	0	Foreign legal person
Bright Food (Group) Co., Ltd.	0	402,150,000	3.50%	0	N/A	0	State-owned legal person
Shanghai Haiyan Investment Management Company Limited	0	400,709,623	3.48%	0	N/A	0	State-owned legal person
China Securities Finance Corporation Limited	-219,647,000	343,901,259	2.99%	0	N/A	0	Others
Shenergy Group Company Limited	0	322,162,086	2.80%	0	N/A	0	State-owned legal person
Shanghai Electric (Group) Corporation	1,044,400	266,343,293	2.32%	0	N/A	0	State
Shanghai Guosheng Group Assets Co., Ltd.	238,382,008	238,382,008	2.07%	0	N/A	0	State-owned legal person
Shanghai Jiushi (Group) Co., Ltd.	0	235,247,280	2.05%	0	N/A	0	State-owned legal person
Shanghai Bailian Group Co., Ltd.	0	214,471,652	1.86%	0	N/A	0	Domestic non state-owned legal person
Shanghai United Media Group	-500,900	150,668,553	1.31%	0	N/A	0	State-owned legal person

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

Unit: Share

Shareholdings of the top ten shareholders not subject to selling restrictions			
Name of shareholders	Number of circulating shares held not subject to selling restrictions	Type and number of shares	
		Type	Number
Hong Kong Securities Clearing Company Nominees Limited (“HKSCC Nominees Limited”)	3,408,842,296	Foreign shares listed overseas	3,408,842,296
Bright Food (Group) Co., Ltd.	402,150,000	RMB denominated ordinary shares	402,150,000
Shanghai Haiyan Investment Management Company Limited	400,709,623	RMB denominated ordinary shares	400,709,623
China Securities Finance Corporation Limited	343,901,259	RMB denominated ordinary shares	343,901,259
Shenergy Group Company Limited	322,162,086	RMB denominated ordinary shares	322,162,086
Shanghai Electric (Group) Corporation	266,343,293	RMB denominated ordinary shares	266,343,293
Shanghai Guosheng Group Assets Co., Ltd.	238,382,008	RMB denominated ordinary shares	238,382,008
Shanghai Jiushi (Group) Co., Ltd.	235,247,280	RMB denominated ordinary shares	235,247,280
Shanghai Bailian Group Co., Ltd.	214,471,652	RMB denominated ordinary shares	214,471,652
Shanghai United Media Group	150,668,553	RMB denominated ordinary shares	150,668,553

## Notes:

1. Among the H Shareholders of the Company, HKSCC Nominees Limited held the H Shares on behalf of the non-registered shareholders.
2. In the table above, the shares held by HKSCC Nominees Limited are foreign shares listed overseas (H Shares) and the shares held by other shareholders are RMB denominated ordinary A Shares.
3. The nature of shareholders of A Shares represents that of accounts registered by such shareholders in Shanghai Branch of China Securities Depository and Clearing Corporation Limited.
4. As the shares of the Company are subject of margin financing and securities lending, the number of shares held by a shareholder is calculated based on the aggregated number of shares and interests held by such shareholder through ordinary securities accounts and credit securities accounts.



## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### (III) Substantial shareholders and other persons' interests and short positions in the shares and underlying shares

As at 31 December 2018, to the best knowledge of the Directors, having made all reasonable enquiries, the following parties (other than the Directors, Supervisors and chief executive of the Company) had an interest or short position in the shares or underlying shares, which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

No.	Name of substantial shareholders	Type of share	Nature of interests	Number of shares held (shares)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/H Shares of the Company (%)	Long position (Note 2)/short position (Note 3)/lending pool
1.	Maunakai Capital Partners (Hong Kong) Limited	H Share	Investment manager	272,590,000	2.36	7.99	Long position
2.	BSA Strategic Fund I	H Share	Beneficial owners	272,590,000	2.36	7.99	Long position
3.	Insight Capital Management (Hong Kong) Limited	H Share	Investment manager	223,415,200	1.94	6.55	Long position
4.	Insight Phoenix Fund	H Share	Investment manager	223,415,200	1.94	6.55	Long position
5.	Shi Jing	H Share	Founder of discretionary trust	228,000,000	1.98	6.69	Long position
6.	Wickhams Cay Trust Company Limited	H Share	Trustee (Note 1)	228,000,000	1.98	6.69	Long position
7.	Abhaya Limited	H Share	Interests in controlled corporation (Note 1)	228,000,000	1.98	6.69	Long position
8.	Heyday Trend Limited	H Share	Beneficial owners (Note 1)	228,000,000	1.98	6.69	Long position
9.	BlackRock, Inc.	H Share	Interests in controlled corporation	196,187,246	1.71	5.75	Long position
		H Share	Interests in controlled corporation	18,033,142	0.16	0.53	Short position
10.	Shanghai Guosheng Group Co., Ltd.	H Share	Beneficial owners	206,586,400	1.80	6.06	Long position

*Note 1:* Heyday Trend Limited holds 228,000,000 H shares of the Company. Abhaya Limited holds 228,000,000 H shares of the Company through its wholly-owned Heyday Trend Limited. Abhaya Limited is wholly-owned by Wickhams Cay Trust Company Limited; Shi Yuzhu is a director of Abhaya Limited, and other directors in Abhaya Limited are used to taking orders from Shi Yuzhu. Therefore, Wickhams Cay Trust Company Limited and Shi Yuzhu are deemed to have interest in 228,000,000 H shares held by Abhaya Limited.

*Note 2:* A shareholder has a "long position" if such shareholder has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which: (i) such shareholder has a right to purchase the underlying shares; (ii) such shareholder is under an obligation to purchase the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares increases; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares increases.

## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

*Note 3:* A shareholder has a “short position” if such shareholder borrows shares under a securities borrowing and lending agreement, or holds, sells or issues financial instruments (including derivatives) under which: (i) such shareholder has a right to require another person to subscribe the underlying shares; (ii) such shareholder is under an obligation to deliver the underlying shares; (iii) such shareholder has a right to receive money if the price of the underlying shares declines; or (iv) such shareholder has a right to avoid or reduce loss if the price of the underlying shares declines.

Save as disclosed above, as at 31 December 2018, 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 pursuant to Section 336 of the SFO.

### ***Directors, Supervisors and chief executive’s interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations***

As at 31 December 2018, according to the information obtained by the Company and so far as the Directors are aware, the following Director(s), Supervisor(s) and chief executive of the Company had the interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (as defined under the Part XV of the SFO), which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange:

No.	Name of Director(s)	Type of share	Nature of interests	Number of shares held (shares)	Percentage of total issued shares of the Company (%)	Percentage of total issued A Shares/ H Shares of the Company (%)	Long position (Note 1)/short position (Note 2)/ interests in lending pool
1.	Liu Cheeming	H Shares	Beneficial owner	1,000,000	0.01	0.03	Long position

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

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



## SECTION VI CHANGES IN ORDINARY SHARES AND PARTICULARS ABOUT SHAREHOLDERS

### **(IV) Strategic investors or general legal person having become one of the top ten shareholders as a result of placing of new shares**

During the Reporting Period, no strategic investor or general legal person has become one of the top ten shareholders as a result of placing of new shares.

## **IV. CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS**

### **(I) Controlling shareholders**

Due to the disperse shareholding of the Company, no shareholder directly held more than 5% of the shares of the Company (excluding HKSCC Nominees Limited). HKSCC Nominees Limited held shares on behalf of the non-registered H shareholders.

### **(II) De facto controllers**

The Company had no de facto controller.

## **V. OTHER INSTITUTIONAL SHAREHOLDERS HOLDING MORE THAN 10% OF THE SHARES**

During the Reporting Period, no other institutional shareholder of the Company held more than 10% of the shares.

## **VI. EXPLANATION OF RESTRICTION OF SHAREHOLDING REDUCTION**

During the Reporting Period, the Company had no restriction to shareholding reduction.





## SECTION VII PREFERENCE SHARES

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



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### I. CHANGES IN SHAREHOLDING AND REMUNERATIONS

#### (I) Changes in shareholding and remunerations of current and resigned Directors, Supervisors and Senior Management during the Reporting Period

Name	Position (Note)	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares during the year	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period RMB0'000	Whether remuneration received from related party of the Company or not
Zhou Jie	Chairman, Executive Directors, Secretary of CPC Party Committee*	Male	51	28 October 2016	to date	0	0	0	-	128.16	No
Qu Qiuping	Executive Director, General Manager, Deputy Secretary of CPC Party Committee*	Male	57	30 December 2014	to date	0	0	0	-	171.12	No
Yu Liping	Non-executive Director	Female	56	8 June 2015	to date	0	0	0	-	0	Yes
Chen Bin	Non-executive Director	Male	37	30 December 2014	to date	0	0	0	-	0	No
Wu Yuezhou	Non-executive Director	Male	59	18 August 2017	to date	0	0	0	-	0	No
Xu Jianguo	Non-executive Director	Male	54	18 October 2016	to date	0	0	0	-	0	No
Zhang Xinmei	Non-executive Director	Female	59	30 December 2014	to date	0	0	0	-	0	Yes
Shen Tiedong	Non-executive Director	Male	49	8 June 2015	to date	0	0	0	-	0	Yes
Liu Cheeming	Independent Non-executive Director	Male	67	30 December 2014	to date	100	100	0	-	30	Yes
Xiao Suining	Independent Non-executive Director	Male	70	30 December 2014	to date	0	0	0	-	31	Yes
Feng Lun	Independent Non-executive Director	Male	59	30 December 2014	to date	0	0	0	-	20	Yes
Zhang Ming	Independent Non-executive Director	Male	60	12 June 2016	to date	0	0	0	-	30	Yes
Lam Lee G.	Independent Non-executive Director	Male	59	6 April 2017	to date	0	0	0	-	22	Yes
Wu Hongwei	Vice chairman of the Supervisory Committee, Secretary of the Discipline Inspection Commission, Deputy Secretary of CPC Party Committee*	Male	52	15 December 2017	to date	0	0	0	-	78.48	No
Li Lin	Supervisor	Male	56	30 December 2014	to date	0	0	0	-	0	Yes
Zheng Xiaoyun	Supervisor	Female	56	21 September 2015	to date	0	0	0	-	0	Yes
Cheng Feng	Supervisor	Male	47	30 December 2014	to date	0	0	0	-	0	Yes
Chen Huifeng	Supervisor	Male	52	30 December 2014	to date	0	0	0	-	0	Yes
Feng Huang	Supervisor	Male	47	30 December 2014	to date	0	0	0	-	0	Yes

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Position (Note)	Gender	Age	Commencement date of tenure for the session	Ending date of tenure for the session	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in the number of shares during the year	Reasons for changes	Total remuneration before tax received from the Company during the Reporting Period RMB'000	Whether received remuneration from related party of the Company or not
Song Chunfeng	Supervisor	Male	49	11 July 2016	to date	0	0	0	-	0	Yes
Wang Meijuan	Employee Supervisor	Female	54	30 December 2014	to date	0	0	0	-	264.22	No
Hu Hairong	Employee Supervisor	Female	47	30 December 2014	to date	0	0	0	-	262.92	No
Song Shihao	Employee Supervisor	Male	49	8 July 2015	to date	0	0	0	-	206.52	No
Rui Zhengxian	Employee Supervisor	Male	56	11 December 2017	to date	0	0	0	-	168.03	No
Ren Peng	Deputy General Manager	Male	56	30 December 2014	to date	0	0	0	-	154.01	No
Pei Changjiang	Deputy General Manager	Male	53	30 December 2014	to date	0	0	0	-	151.25	No
Mao Yuxing	Deputy General Manager, Chief Information Officer*	Male	47	25 February 2019	to date	0	0	0	-	464.65	No
Wang Jianye	General Compliance Officer	Male	58	30 December 2014	to date	0	0	0	-	464.65	No
Chen Chungqian	Assistant to General Manager	Male	55	30 December 2014	to date	0	0	0	-	504.92	No
Li Jianguo	Assistant to General Manager	Male	55	30 December 2014	to date	0	0	0	-	-	No
Zhang Xiangyang	Assistant to General Manager	Male	53	30 December 2014	to date	0	0	0	-	-	No
Lin Yong	Assistant to General Manager	Male	49	30 December 2014	to date	0	0	0	-	-	No
Jiang Chengjun	Assistant to General Manager, Secretary to the Board	Male	50	29 March 2017	to date	0	0	0	-	394.26	No
Du Hongbo	Chief Risk Control Executive	Male	55	12 May 2017	to date	0	0	0	-	362.27	No
Pan Guangtao	Assistant to General Manager	Male	47	12 May 2017	to date	0	0	0	-	392.52	No
Zhang Xinjun	Chief Financial Officer	Male	43	27 March 2018	to date	0	0	0	-	198.78	No
Ji Yuanguang (resigned)	Deputy General Manager	Male	61	30 December 2014	25 January 2018	0	0	0	-	85.01	No
Li Chuqian (resigned)	Chief Financial Officer	Male	61	30 December 2014	27 March 2018	0	0	0	-	252.12	No
Hiroki Miyazato (resigned)	Deputy General Manager	Male	53	30 December 2014	27 December 2018	0	0	0	-	86.25	No
Total	/	/	/	/	/	100	100	0	/	4,923.14	/



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

- Notes:*
1. The terms of the sixth session of the Board and the Supervisory Committee of the Company expired on 30 December 2017. The resolution regarding the election of new session of the Board and the new session of the Supervisory Committee have been considered and approved at the 36th meeting of the sixth session of the Board and 21th meeting of the sixth session of the Supervisory Committee on 27 March 2019. Such two proposals will be submitted to the 2018 annual general meeting of the Company for its shareholders' consideration. The employee representative supervisors of the seventh session of the Supervisory Committee will be separately elected by the employee representative meeting of the Company. Before the completion of the election process, all the members of the sixth session of the Board, the Supervisory Committee and the senior management of the Company will continue to perform their obligations and duties in accordance with relevant laws, regulations and the Articles of Association.
  2. For details on the tenure period of Mr. Zhou Jie as Secretary of CPC Party Committee, Mr. Qu Qiuping as Deputy Secretary of CPC Party Committee and Mr. Wu Hongwei as Secretary of the Discipline Inspection Commission and Deputy Secretary of CPC Party Committee, please refer to each of their biographical details below. In the table above, the commencement date of tenure of Mr. Zhou Jie is the date in which he started his positions as Chairman, and his commencement date of tenure as a Director is 18 October 2016; the commencement date of tenure of Mr. Mao Yuxing is the date in which he started his position as a Deputy General Manager, and his commencement date of tenure as the Chief Information Officer is 19 September 2016.
  3. The total remunerations mentioned above did not include remunerations senior management received from subsidiaries, among whom, Mr. Zhang Xiangyang, assistant to the general manager of the Company, received remunerations of RMB11,223.5 thousand from Haitong Capital; Mr. Lin Yong, the general manager of the Company, received remunerations of RMB16,000.3 thousand from Haitong International Securities; Mr. Li Jianguo, assistant to the general manager of the Company, received remunerations of RMB4,818.2 thousand from Haitong International Holdings. Among which, those in foreign currencies shall be calculated based on the central party rate of Renminbi for inter-bank Foreign Exchange Market published by China Foreign Exchange Trading Center on 28 December 2018.
  4. The total amount of remunerations before tax received by the Directors, Supervisors and senior management from the Company during the Reporting Period mentioned above included performance bonus attributable to the year of 2017 and 2016 deferred in 2018.
  5. The statistical standard of the remunerations received by the Directors, Supervisors and senior management from the Company during the Reporting Period was based on their terms of office as Directors, Supervisors and senior management. The remunerations received during their terms of office not as Directors, Supervisors and senior management were excluded.
  6. For detailed information about the remuneration of the Directors, Supervisors and senior management, please refer to Note 68 to the Consolidated Financial Statements of this Report.

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Zhou Jie (周杰)	<p><b>Executive Directors (2)</b></p> <p>Born in 1967, a holder of master's degree of engineering. Mr. Zhou has served as the Chairman of the Board since 28 October 2016, the secretary of CPC party committee of the Company since July 2016. From February 1992 to June 1996, Mr. Zhou served in the investment banking department of Shanghai International Securities Co., Ltd. (上海萬國證券有限公司). From June 1996 to December 2001, Mr. Zhou served, successively, as the manager of investment department, the vice general manager, and the chairman of the board of directors and the general manager of Shanghai SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司). From December 2001 to April 2003, he was the director and general manager of SIIC Medical Science and Technology (Group) Limited. (上海實業醫藥科技(集團)有限公司). From January 2002 to July 2016, he acted, successively, as the executive director and the vice executive officer, the executive director and the executive vice president, the vice chairman and chief executive officer of Shanghai Industrial Holdings Limited (上海實業控股有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0363). From August 2004 to July 2016, he served, successively, as the chief planning officer, the executive director and vice president, the executive director and executive vice president, and the president and secretary of CPC party committee of SIIC Shanghai (Holding) Co., Ltd. (上海上實(集團)有限公司). From March 2010 to May 2012, he was the chairman of the supervisory committee of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 601607; listed on the Hong Kong Stock Exchange under the stock code of 02607), of which he was the chairman of the board of directors and the secretary of CPC party committee from June 2012 to June 2013 and from May 2016 to July 2016. Mr. Zhou has been a non-executive director of Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司, listed on the New York Stock Exchange under the ticker symbol of "SMI"; listed on the Hong Kong Stock Exchange under the stock code of 00981) since January 2009. Mr. Zhou has been a supervisor, the chairman of the remuneration committee of Shanghai Stock Exchange, the president of Shanghai Securities Association (上海證券同業公會), and the representative of members of National Internet Finance Association of China (中國互聯網金融協會) since 2016, the vice chairman of Shanghai Financial Association (上海金融業聯合會), the president of Shanghai Association of Financial Planners (上海金融理財師協會), and an arbitrator of Shanghai Arbitration Commission (上海仲裁委員會) since 2017.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Qu Qiuping (瞿秋平)	<p>Born in 1961, a holder of master's degree in economics, a senior accountant. Mr. Qu has served as an executive Director, the general manager and the deputy secretary of CPC party committee of the Company since 25 June 2014. He was the accountant, deputy section chief, Youth League secretary of Nanshi District Office of the People's Bank of China Shanghai (中國人民銀行上海市南市區辦事處) from September 1980 to December 1983; the deputy section chief and section chief of Nanshi District Office of the Industrial and Commercial Bank of China Shanghai (中國工商銀行上海市南市區辦事處) from January 1984 to September 1992; the vice president of Nanshi Sub-branch of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行南市支行) from September 1992 to November 1995; the deputy head of the accounting and cashier department of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行) from November 1995 to December 1996 (He was in charge of the party and political work of Shanghai Jiading Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行上海市嘉定支行) from December 1995 to December 1996); the president and deputy secretary of CPC party committee of Shanghai Baoshan Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行上海市寶山支行) from December 1996 to March 1999; the head of the accounting and clearing department of the Industrial and Commercial Bank of China Shanghai Branch from March 1999 to December 1999; the assistant to the president of the Industrial and Commercial Bank of China Shanghai Branch from December 1999 to June 2000; the vice president of the Industrial and Commercial Bank of China Shanghai Branch from June 2000 to February 2005 (he was a visiting scholar at University of Pennsylvania from September 2002 to September 2003); the vice president of the Industrial and Commercial Bank of China Jiangsu Branch (中國工商銀行江蘇省分行) from February 2005 to September 2008; the deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai (上海銀行) from September 2008 to November 2008; the president, deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai from November 2008 to December 2010; the head of the Work Coordination Department of the Dispatched Offices of the CSRC (中國證監會派出機構工作協調部) from December 2010 to August 2012; and the head of the Department of Unlisted Public Company Supervision of the CSRC (中國證監會非上市公眾公司監管部) from August 2012 to April 2014. Mr. Qu has been the member of Expert Committee of the Finance Research Centre of Counselors' Office of the State Council(國務院參事室金融研究中心) since October 2016, the director of the Shenzhen Stock Exchange since April 2017, the member of the Chinese People's political Consultative Conference Shanghai Committee since December 2017, vice president of the Securities Association of China (中國證券業協會) since June 2017, the Chairman of the Supervisory Committee of the council of the Listed Companies Association of Shanghai (上海上市公司協會) since June 2018, and the chairman of the M&amp;A Financing Committee of the China Association of Listed Companies (中國上市公司協會併購融資專業委員會) since October 2018. Mr. Qu has been the chairman of the board of directors of Haitong International Holdings Limited (海通國際控股有限公司), the chairman of the board of directors, a non-executive director, the chairman of the nomination committee and the strategic development committee, and a member of remuneration committee of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Exchange under the stock code of 00665) since February 2018.</p>

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Yu Liping (余莉萍)	<p><b>Non-executive Directors (6)</b></p> <p>Born in 1962, a holder of MBA degree, a senior accountant, has served as a non-executive Director of the Company since 8 June 2015 and as the vice president of Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司) since August 2010. Ms. Yu served in several positions in Shanghai Light Industry Bureau (上海輕工業局) and Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司) from August 1996 to April 2006, including deputy chief of finance department, manager of finance department and vice chief accountant. She was a member of CPC party committee, vice president and chief financial officer of Shanghai Yimin Food Plant No.1 (Group) Co., Ltd. (上海益民食品一廠(集團)有限公司) from August 2006 to August 2008. Ms. Yu served as the chief financial officer of Shanghai Guangdian (Group) Co., Ltd. (上海廣電(集團)有限公司) from August 2008 to August 2010. Ms. Yu served as the chairman of supervisory committee of Shanghai Yimin Food Group (上海益民食品集團) from March 2015 to May 2017, and the chairman of supervisory committee of NGS Supermarket (Group) Co., Ltd. (農工商超市(集團)有限公司) from September 2013 to September 2018. Ms. Yu has been the legal representative of Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司) since March 2014. Ms. Yu has been the chairman of supervisory committee of Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司) since September 2014.</p>
Chen Bin (陳斌)	<p>Born in 1981, a holder of master's degree in economics, has served as a non-executive Director of the Company since 30 December 2014. He has been the deputy general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司) since February 2017. Mr. Chen served as an officer of the investment management department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司) from July 2003 to January 2010. He served, successively, as assistant to section chief, section chief and assistant to head of investment management department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司, now renamed as Shanghai Tobacco Group Co, Ltd., 上海煙草集團有限責任公司) during January 2010 to October 2016. He was the assistant to general manager of Shanghai Haiyan Investment Management Company Limited from April 2014 to February 2017. Mr. Chen has been a non-executive director of Orient Securities Company Limited (東方證券股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600958 : listed on the Hong Kong Stock Exchange under the stock code of 03958) since October 2014.</p>
Wu Yuezhou (鄔躍舟)	<p>Born in 1959, an accountant, has served as a non-executive Director of the Company since 18 August 2017. Mr. Wu has been the deputy chief economist and manager of asset management department of Shenergy Group Company Limited (申能(集團)有限公司) since October 2016. Mr. Wu was the deputy chief officer and chief officer of finance department of Shanghai Machine Tool Works Ltd. (上海機床廠) from August 1980 to December 1994, manager of financial planning department of Shanghai Bund Housing Replacement Co., Ltd. (上海外灘房屋置換有限公司) from January 1995 to July 1999, manager of financial planning department in replacement headquarters of Shanghai Jiushi Corporation (上海久事公司) from August 1999 to February 2000. Mr. Wu has served in various positions in Shenergy Group Company Limited since March 2000, including manager of investment management department, secretary to supervisory committee and director of audit office (concurrently the chairman of the board and the acting general manager of Shanghai Shenergy Science and Technology Development Co., Ltd. (上海申能科技發展公司) from January 2003 to June 2005).</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Xu Jianguo (許建國)	<p>Born in 1964, a holder of master of professional accountancy degree, a senior accountant, has served as a non-executive Director of the Company since 18 October 2016. He has been the head of the financial budget department of Shanghai Electric (Group) Corporation (上海電氣(集團)總公司) since April 2013. Mr. Xu worked in the finance department and audit office of Shanghai Cable Works (上海電纜廠) from July 1984 to December 2001, inspection office of Shanghai Electric (Group) Corporation from January 2002 to March 2004 and the assets and finance department of Shanghai Electric Assets Management Company Limited (上海電氣資產管理有限公司) from April 2004 to September 2005, respectively. He served as an assistant to the financial manager of the first management department of Shanghai Electric Assets Management Company Limited from September 2005 to August 2008 during which period he also served as the chief financial officer of Shanghai Li Da Heavy Industrial Manufacturing Limited (上海力達重工製造有限公司) from March 2006 to August 2008. From August 2008 to December 2009, Mr. Xu was the deputy head of the assets and finance department of Shanghai Electric Assets Management Company Limited. From December 2009 to April 2013, he served as the deputy head of the financial budget department of Shanghai Electric (Group) Corporation. Mr. Xu served as a director of Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600619) from June 2016 to December 2017, a director of Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司) since April 2013. Mr. Xu has been a director of Shanghai Life Insurance Company Ltd. (上海人壽保險股份有限公司) since March 2015, the chairman of the supervisory committee of Shanghai Prime Machinery Co., Ltd. (上海集優機械股份有限公司) (listed on the Hong Kong Stock Exchange under the stock code of 02345) since May 2016. Mr. Xu also served as a director of Shanghai Micro Electronics Equipment Co., Ltd. (上海微電子裝備股份有限公司) since June 2016, and a non-executive director of Orient Securities Company Limited (東方證券股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600958; listed on the Hong Kong Stock Exchange under the stock code of 03958) since November 2016. Mr. Xu has been the chairman of the supervisory committee of Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600619) since December 2017.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Zhang Xinmei (張新玫)	<p>Born in 1959, a holder of MBA degree, a senior accountant, has served as a non-executive Director of the Company since 30 December 2014. She has been the vice president of Shanghai Jiushi (Group) Co., Ltd (上海久事(集團)有限公司) since December 2014. Ms. Zhang served as clerk, deputy section chief, section chief and deputy head of finance department of the Shanghai Bureau of Metallurgical Industry (上海冶金工業局) from March 1981 to October 1995; deputy head, head of finance department, and deputy chief accountant of Shanghai Metallurgical Holding Group Corporation (上海冶金控股集團公司) during October 1995 to November 1998; manager of financial management headquarters and manager of capital management headquarters of Shanghai Jiushi Corporation (上海久事公司) (currently known as "Shanghai Jiushi (Group) Co., Ltd.") during November 1998 to November 2004; chief accountant of Shanghai Jiushi Corporation from November 2004 to December 2014. Ms. Zhang was a director of Shenyin &amp; Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司, now known as Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司)) (listed on the Shenzhen Stock Exchange under the stock code of 000166) from 2012 to September 2016, the director of Shenergy Co., Ltd. (申能股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600642) from June 2015 to May 2016. Ms. Zhang has been a supervisor of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司) since October 2015, and a supervisor of China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司) since November 2015.</p>
Shen Tiedong (沈鐵冬)	<p>Born in 1969, a holder of doctor's degree in economics, has served as a non-executive Director of the Company since 8 June 2015. He has been the Chairman of the board of directors, Secretary-general of the CPC party committee of Liaoning Environmental Protection Group Co., Ltd. (遼寧省環保集團有限責任公司) since December 2018. Mr. Shen was the chairman in the university department of the Youth League Liaoning Committee (共青團遼寧省委員會) from June 1992 to June 1993, deputy head of the trust department of Liaoning International Trust and Investment Company (遼寧省國際信託投資公司) from July 1993 to September 1999, head of the capital operation department of Liaoning International Cooperation (Group) Co., Ltd. (遼寧省國際合作(集團)公司) from September 1999 to January 2002, and vice general manager of Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司) from February 2002 to December 2009. Mr. Shen served in various positions in the Panjin municipal government in Liaoning Province from December 2009 to December 2014, including vice mayor, member of the standing committee of CPC party committee and secretary-general. He was the vice chairman of the board of directors, vice secretary-general of the CPC party committee and general manager of Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司) from December 2014 to December 2018.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Liu Cheeming (劉志敏)	<p><b>Independent non-executive Directors (5)</b></p> <p>Born in 1951, a holder of bachelor's degree in business administration, has served as an independent non-executive Director of the Company since 28 November 2011. He has been the managing director of Platinum Holdings Limited (百德能控股有限公司) since 1996. Mr. Liu has been an independent non-executive director of OUE Hospitality REIT Management Pte. Ltd. (華聯酒店房地產信託管理有限公司) and OUE Hospitality Trust Management Pte. Ltd. (華聯酒店信託管理有限公司) (which are the REIT Manager and Trustee-Manager, respectively, of OUE Hospitality Trust (a company listed on the Singapore Exchange under the stock code of SK7) since June 2013, an independent supervisor of the supervisory committee of Dalian Wanda Commercial Management Group Co., Ltd. (大連萬達商業管理集團股份有限公司) since May 2015, an independent non-executive director of STT GDC Pte. Ltd. since October 2015, and independent non-executive director of DBS Bank (Hong Kong) Limited (星展銀行(香港)有限公司) since June 2018. He has over 40 years' experience in the Asian financial service field. Mr. Liu's expertise in finance and strategy-making, as well as his working experience in large enterprises worldwide and his relationship with them are valuable assets to the Board of the Company. He is a member of the Takeovers Appeal Committee under the Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會的收購上訴委員會) and vice chairman of the Takeovers and Mergers Panel (收購及合併委員會).</p>
Xiao Suining (肖遂寧)	<p>Born in 1948, has served as an independent non-executive Director of the Company since 27 May 2013. Mr. Xiao was the electrician and team leader at the third subsidiary of Yunnan Hydropower Construction Company (雲南水利發電建設公司) from July 1968 to September 1971; the chief of mechanical and electrical drainage, electrical technician and engineer at the Panshidong Industrial Zone at Hydropower Construction Company (水利發電建設公司噴水洞工區) from September 1971 to January 1975; the electrical designer, technician and engineer at Yunnan Electrical Power Design Institute (雲南電力設計院) from January 1975 to February 1984; the deputy director of the powerhouse of the power plant of Electric Power Design Institute (電力設計院) from February 1984 to August 1985; the general manager at Kunming Yinding Industrial Co., Ltd. (昆明銀鼎實業公司) from January 1985 to August 1987; the acting general economist and the acting general accountant at Yunnan Electrical Power Design Institute from August 1987 to September 1990; the director, the assistant to general manager of personnel education division, the assistant to the president of Bank of Communications Chongqing Branch (交通銀行重慶分行) and the general manager of a real estate development company, vice president and member of the CPC party committee of Bank of Communications Chongqing Branch from September 1990 to November 1995; the president and the secretary of the CPC party committee of Bank of Communications Zhuhai Branch from November 1995 to August 1999; the president and the secretary to the Party Committee of Bank of Communications Shenzhen Branch from August 1999 to February 2007; the president and the chairman of the board of Shenzhen Development Bank (深圳發展銀行) from February 2007 to November 2012; the chairman of the board of directors and the general manager of Tahone Investment Management (Ningbo) Co., Ltd. (太合匯投資管理(寧波)有限公司) from July 2017 to January 2018. Mr. Xiao has been an independent director of Beijing SPC Environment Protection Tech Co., Ltd. (北京清新環境技術股份有限公司, listed on the Shenzhen Stock Exchange under the stock code of 002573) since July 2013. Mr. Xiao has been an independent non-executive director of Nan Hai Corporation Limited (南海控股有限公司) (listed on the Hong Kong Stock Exchange under the stock code of 0680) since April 2016, and an independent non-executive director of China Digital Information Co., Ltd. (中國數碼信息有限公司) (listed on the Hong Kong Stock Exchange under the stock code of 0250) since April 2016.</p>

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Name	Major Work Experience
Feng Lun (馮倫)	Born in 1959, a holder of doctor's degree in law and master's degree in public policy (MPP), has served as an independent non-executive Director of the Company since 30 December 2014. He has been the chairman of Vantone Holdings Co., Ltd. (萬通投資控股股份有限公司) since January 1993. Mr. Feng was a lecturer and researcher at the Party School of the Central Committee of CPC (中共中央黨校), the Propaganda Department of the Central Committee of CPC (中共中央宣傳部) and National Committee for Economic System Reform (國家體改委) from September 1984 to December 1990. Mr. Feng founded Hainan Agricultural High Technology Investment and Development Corporation (海南農業高技術投資聯合開發總公司) from January 1991 to December 1991 and Hainan Vantone Enterprise (Group) Co., Ltd. (海南萬通企業(集團)有限公司) from January 1992 to December 1992, and served as the chairman of its board of directors.
Zhang Ming (張鳴)	Born in 1958, a holder of doctor's degree in economics, a professor and senior researcher, has served as an independent non-executive Director of the Company since 12 June 2016. He currently lectures at the School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院). Mr. Zhang has lectured in Shanghai University of Finance and Economics since graduation from this university in 1983 and has been the director of the teaching office, the deputy director and then the deputy head of the School of Accountancy. He is now a professor and doctoral supervisor in the same university. Mr. Zhang served as an independent director of Shanghai Shenda Co., Ltd. (上海申達股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600626) from May 2010 to May 2016, an independent director of Shangong Shenbei (Group) Co., Ltd. (上工申貝(集團)股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600843) from May 2009 to April 2017. Mr. Zhang has been an independent non-executive director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600639) since June 2011, an independent non-executive director of Wuxi Commercial Mansion Grand Orient Co., Ltd. (無錫商業大廈大東方股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600327) since May 2015, and an independent director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, listed on Shanghai Stock Exchange under the stock code of 600000) since May 2016.



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Lam Lee G. (林家禮)	<p>Born in 1959, a holder of Ph.D degree, a Solicitor (formerly a barrister-at-law) of the High Court of Hong Kong, an Honorary Fellow of CPA Australia, a Fellow of CMA Australia, a Fellow of the Hong Kong Institute of Arbitrators and the Hong Kong Institute of Directors, and an Honorary Fellow of the University of Hong Kong School of Professional and Continuing Education, has served as an independent non-executive Director of the Company since 6 April 2017, Non-Executive Chairman – Hong Kong and ASEAN Region and Chief Adviser of Macquarie Infrastructure and Real Assets Asia since May 2015. Mr. Lam has over 30 years of international experience in general management, strategy consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology, consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors. Mr. Lam previously held a number of posts including General Manager of Hong Kong Telecom, a member of the Senior Management of CP Group in Thailand and Chairman/Director/Chief Executive Officer of several companies affiliated to the group, Managing Director of BOC International and Vice Chairman and COO of Investment Banking Division of BOC International, Executive Director of Singapore Technologies Telemedia (a member of Temasek Holdings, a sovereign fund of Singapore), and Chairman – Hong Kong/Vietnam/Cambodia/Laos/Myanmar/Thailand and Senior Adviser – Asia of Macquarie Capital. Mr. Lam served as a non-executive director of the Rome Group Limited (Stock Code: 8072), Imagi International Holdings Limited (Stock Code: 0585) and an independent non-executive director of Xi'an Haitiantian Holdings Co., Ltd. (formerly known as: Xi'an Haitian Antenna Holdings Co., Ltd. under the Stock Code: 8227), the shares of all of which are listed on The Stock Exchange of Hong Kong Limited, an independent non-executive director of Rowsley Limited (Company Code: A50) whose shares are listed on the Singapore Exchange, and an independent non-executive director of Vietnam Equity Holding (Company Code: 3MS) whose shares are listed on the Stuttgart Stock Exchange. Mr. Lam is an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Glorious Sun Enterprises Limited (Stock Code: 393), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Hua Long Jin Kong Company Limited (Stock Code: 1682), Kidsland International Holdings Limited (Stock Code: 2122), Hsin Chong Group Holdings Limited (Stock code: 404), Mingfa Group (International) Company Limited (Stock Code: 846) and Aurum Pacific (China) Group Limited (Stock Code: 8148), and a non-executive Director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), China Shandong Hi-Speed Financial Group Limited (Stock code: 412), and Tianda Pharmaceuticals Limited (Stock Code: 455), the shares of all of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Lam is also an independent non-executive director of each of China Real Estate Grp Limited (former name Asia-Pacific Strategic Investments Limited, Stock code: 5RA), Top Global Limited (Stock code: BHO), and China Medical (International) Group Limited (Stock code: 5IB), and non-executive director of Singapore eDevelopment Limited (Stock code: 40V), the shares of all of which are listed on the Singapore Exchange. Mr. Lam is an independent non-executive director of Sunwah International Limited (Stock code: SWH) whose shares are listed on the Toronto Stock Exchange, an independent non-executive director of AustChina Holdings Limited (Stock code: AUH) whose shares are listed on the Australian Securities Exchange, and non-executive director of Adamas Finance Asia Limited (Stock code: ADAM) whose shares are listed on the London Securities Exchange.</p>

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Wu Hongwei (吳紅偉)	<p><b>Employee Supervisors (5)</b></p> <p>Former name Wu Hongwei (吳紅衛), born in 1966, a holder of MBA degree, a researcher, has served as a Supervisor of the Company since 13 December 2017 and the vice chairman of the Supervisory Committee since 15 December 2017. Mr. Wu has been serving as the deputy secretary of CPC party committee and secretary of discipline inspection committee of the Company since September 2017. From July 1990 to June 2001, Mr. Wu served the following positions in Unit 801 of Shanghai Aerospace Administration (上海航天局801所): a designer, project leader, assistant to the director, deputy director of the Research Plan Office (later renamed as the "Science and Technology Office") from July 1990 to January 1997, during which period, he also served as the secretary of the Science and Technology Committee from August 1995 to January 1997; the director of the Personnel Security Department and the secretary of the Science and Technology Committee from January 1997 to March 1997; the director of the Administration Department and the director of Personnel Security Department from March 1997 to October 2000; the deputy secretary of CPC party committee, the secretary of discipline inspection committee, and the director of the Administration Department from October 2000 to June 2001, during which period, he also served as the chairman of the Labor Union from March 2001 to June 2001. From June 2001 to April 2004, Mr. Wu served as the secretary of CPC party committee of Shanghai Xinguang Telecom Factory (上海新光電訊廠). From April 2004 to January 2015, Mr. Wu served the following positions in the Social Work Committee of CPC Shanghai Municipal Committee (中共上海市社會工作委員會): the deputy director of the Human Resources Department (in charge of operations) from April 2004 to January 2006; the director of the Human Resources Department from January 2006 to June 2011; and the Secretary-General from June 2011 to January 2015. Mr. Wu was appointed as the secretary of the discipline inspection committee of the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (the "Shanghai SASAC" · 上海市國有資產監督管理委員會) from January 2015 to April 2015, the leader of Dispatched Discipline Inspection Office of the Discipline Inspection Committee of CPC Shanghai Municipal Committee to the CPC party committee of the Shanghai SASAC (中共上海市紀律檢查委員會駐上海市國資委黨委紀檢組), and a member of CPC party committee of the Shanghai SASAC from April 2015 to September 2017.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Wang Meijuan (王美娟)	<p>Born in 1964, a holder of master's degree in economics, a senior accountant, has served as a Supervisor of the Company since 30 December 2014. She has been the general manager of the audit department of the Company since March 2011. Ms. Wang was a lecturer of the Management and Engineering Department of Shanghai Institute of Building Materials (上海建材學院管理工程系) from January 1988 to October 1994, and a senior manager of Da Hua Certified Public Accountants (大華會計師事務所) from May 1992 to May 2001. She served in various positions in the Company, including manager of audit department from May 2001 to August 2001, assistant to general manager of audit department from August 2001 to March 2002, deputy general manager of audit department from March 2002 to May 2006, deputy general manager of risk control headquarters (with benefits as a general manager) from May 2006 to September 2006, and chief auditor and deputy general manager of risk control headquarters (with benefits as a general manager) from September 2006 to March 2011. Ms. Wang served as the chairman of the supervisory committee of Haitong Futures Corporation (海通期貨有限公司) from July 2005 to March 2016, and has been the chairman of the supervisory committee of Haitong Futures Co., Ltd. (海通期貨股份有限公司) since March 2016, a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) since October 2008, a supervisor of Jilin Modern Agricultural and Emerging Markets Investment Fund Limited (吉林省現代農業和新興產業投資基金有限公司) since December 2010, a director of Xi'an Aerospace New Energy Industry Investment Fund Co., Ltd. (西安航天新能源產業基金投資有限公司) since January 2011, a supervisor of Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司) since April 2012, a non-executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Exchange under the stock code of 00665) since September 2012, a supervisor of Haitong UniTrust International Leasing Corporation (海通恆信國際租賃有限公司) from January 2014 to May 2017, the chairman of the supervisory committee of Haitong UniTrust International Leasing Co., Ltd. (海通恆信國際租賃股份有限公司) since May 2017, a supervisor of Haitong UniTrust Finance &amp; Leasing Corporation (Shanghai) (海通恆信融資租賃(上海)有限公司) since April 2014, a supervisor of Haitong UniFortune International Leasing Co., Ltd. (海通恆運國際租賃有限公司) and a supervisor of Shanghai UniCircle Investment &amp; Development Corporation (上海泛圓投資發展有限公司) since May 2014.</p>
Hu Hairong (胡海蓉)	<p>Born in 1971, a holder of bachelor's degree in law, an economist, has served as a Supervisor of the Company since 30 December 2014. She has been the director of the department of Party-Masses relationship of the Company since March 2013. Ms. Hu worked in various departments of the Company, including the Shanghai Baoshan business department from July 1993 to June 1995, Shanghai business headquarters from June 1995 to May 1996, the office of general manager from May 1996 to March 1998, as deputy section chief of foreign affairs section of the office of general manager from March 1998 to March 2001, as deputy section chief and section chief of assignment section of the human resources development department from March 2001 to May 2005, assistant to general manager of the human resources development department from May 2005 to December 2010, deputy general manager of the human resources development department from December 2010 to February 2013, deputy general manager of the human resources department of the Company from March 2013 to January 2019. Ms. Hu has been a director of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) since June 2012 and the vice chairman of the trade union of the Company since December 2014.</p>

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Song Shihao (宋世浩)	<p>Born in 1969, a holder of MBA degree, has served as a Supervisor of the Company since 8 July 2015. He has been the general manager of the securities finance department of the Company since March 2017. Mr. Song served as a teacher at the Baotou Steel Company Fifth Middle School (包頭鋼鐵公司第五中學) from July 1992 to June 1996. He served at the Baotou Trust Investment Company (包頭信託投資公司) from June 1996 to March 2000, serving as the manager of the securities business department and manager of the trust business department. He worked at the Tianjin Business Department of the Company from March 2000 to March 2006, serving as an assistant to the general manager and deputy general manager. He served as the deputy general manager of the Lanzhou Business Headquarter of the Company from March 2006 to August 2009 (in charge of operations). He worked at the Gansu Branch of the Company from August 2009 to February 2012, serving as general manager. He worked at the Operating Centre of the Company from September 2011 to January 2013, serving as deputy general manager. He was deputy general manager (in charge of operations) of the Compliance and Risk Management Headquarter of the Company from January 2013 to April 2016, the general manager of the Compliance and Risk Management Headquarter of the Company from April 2016 to March 2017. He was a director of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) from April 2013 to October 2016. Mr. Song has been a supervisor of Shanghai Haitong Securities Asset Management Company Ltd. since October 2016.</p>
Rui Zhengxian (芮政先)	<p>Born in 1962, a holder of bachelor's degree in science, an assistant researcher, has been serving as a Supervisor of the Company since 11 December 2017. Mr. Rui has been serving as the deputy general manager of the Human Resources Department of the Company since November 2014, and a member of the Discipline Inspection Committee of the Company since November 2015. Mr. Rui served as an instructor in the Training Department of Shanghai Garrison Training Group (上海警備區教導大隊訓練處) from July 1984 to February 1988, and conducted research work in the Institute of Demographic and Development Studies, Shanghai Academy of Social Sciences (上海社會科學院人口與發展研究所) from February 1988 to March 1996. Mr. Rui served in the following various positions in the Company since March 1996, including a commissioner in the Supervisory Office from March 1996 to March 2001; the deputy section chief of the Second Section of the Supervisory Office from March 2001 to June 2002; the section chief of Labour and Capital Section of the Human Resources and Development Department from June 2002 to March 2007; the section chief of Cadre Section of the Human Resources and Development Department from March 2007 to March 2008; an assistant to general manager of the Human Resources and Development Department and the section chief of Cadre Section of this department from March 2008 to April 2014; and an assistant to general manager of the Human Resources Department from April 2014 to November 2014. Mr. Rui has also been a supervisor of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) since October 2008, and a director of Haitong Innovative Capital Management Co., Ltd. (海通創新資本管理有限公司) since November 2016.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Li Lin (李林)	<p><b>Shareholder representative Supervisors (6)</b></p> <p>Born in 1962, a holder of MBA degree, has been serving as a Supervisor of the Company since 27 May 2013. He has been the vice president of Bright Food (Group) Co., Ltd. (光明食品 (集團) 有限公司) since July 2018. From July 1984 to December 1996, Mr. Li was the lecturer of School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院). He served as the deputy chief accountant of Shanghai Huaihai Commercial (Group) Co., Ltd. (上海淮海商業 (集團) 有限公司) from January 1997 to March 2001, the deputy financial controller of Shanghai NGS (Group) Corporation (上海農工商 (集團) 總公司) from April 2001 to June 2001, the director, the vice president and the chief financial officer of Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) from July 2001 to August 2007, and the director, the vice president and the chief financial officer of NGS Real Estate (Group) Co., Ltd. (農工商房地產 (集團) 股份有限公司) from September 2007 to July 2010. He served as the general manager of finance department in Bright Food (Group) Co., Ltd (光明食品 (集團) 有限公司) from August 2010 to April 2014, the vice president of Bright Food (Group) Co., Ltd. from April 2014 to June 2018. Mr. Li has been the chairman of Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司) since December 2014, a director of Sailing Capital Management Co., Ltd. (賽領資本管理有限公司) since October 2014 and a director of Sailing Capital International Fund (Shanghai) (賽領國際投資基金 (上海) 有限公司) since October 2014.</p>
Zheng Xiaoyun (鄭小芸)	<p>Born in 1962, a holder of master's degree in accounting, a senior accountant, has been serving as a Supervisor of the Company since 21 September 2015. She has been the chief financial officer of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司) (listed on the Shanghai Stock Exchange under the stock code of 600827, the "Shanghai Bailian") since June 2015, and the secretary to the board of Shanghai Bailian since August 2015 and a director of Shanghai Bailian since June 2017. Ms. Zheng held various positions at Shanghai Forever Co., Ltd. (上海永久股份有限公司) where she successively served as the accountant, the assistant to manager and the deputy manager of the finance department from September 1982 to July 1999. From July 1999 to March 2002, she served as the chief financial officer of Shanghai Advertising and Decorating Company (上海廣告裝潢公司). She served as the deputy manager of the finance department of Shanghai Yibai (Group) Co., Ltd. (上海一百 (集團) 有限公司) from March 2002 to December 2002, served as the chief financial officer of Shanghai Quanfang Investment Management Co., Ltd. (上海全方投資管理有限公司) from December 2002 to October 2003, served as the chief financial officer of general operation department of Shanghai Bailian Group Co., Ltd. From October 2003 to July 2005 and served as the chief financial officer of Shanghai Bailian Investment Management Co., Ltd. (上海百聯投資管理有限公司) from July 2005 to August 2010. She served as the chief financial officer of Shanghai Bailian Group Assets Management Co., Ltd. (上海百聯集團資產經營管理有限公司) from August 2010 to July 2014, served as the chief financial officer of Shanghai Bailian E-Commerce Co., Ltd. (上海百聯電子商務有限公司) from July 2014 to June 2015, and served as a director of Shanghai Baihong Trading Co., Ltd. (上海百紅商業貿易有限公司) and the chairman of the board of directors of Hualian Group Assets Custody Co., Ltd. (華聯集團資產託管有限公司) from March 2014 to July 2014.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Cheng Feng (程峰)	<p>Born in 1971, a holder of MBA degree, has been serving as a Supervisor of the Company since 30 December 2014. He has been the member of CPC party committee and the deputy general manager of Shanghai United Media Group (上海報業集團) since October 2013. From July 1994 to March 1995, Mr. Cheng worked in the student group in the School of Management of Shanghai Jiao Tong University; from March 1995 to May 1996, he worked in the Department of Foreign Economic of Shanghai Foreign Economic and Trade Commission (上海市對外經濟貿易委員會外經處); from May 1996 to February 2001, he worked in the Youth League of Shanghai Foreign Economic and Trade Commission holding such positions as the deputy secretary and the secretary; from February 2001 to June 2002, he served as vice president (on job training) of Shanghai Electrical Machinery Group Import &amp; Export Co., Ltd (上海機械進出口(集團)有限公司); from June 2002 to April 2005, he served as deputy director and director at the Office of Technology Import and Technological Development and Technology Trade Office of Shanghai Foreign Economic and Trade Commission (上海對外經濟貿易委員會技術進口處和科技發展與技術貿易處); from April 2005 to October 2013, he worked in Shanghai International Group (上海國際集團) holding such positions as director of the general office, head of the information centre, general manager of the administration headquarter (concurrently the chairman and general manager of Shanghai Guo Sheng Pawn Co., Ltd. (上海國盛典當有限公司)), the deputy secretary of CPC party committee, general manager, secretary of CPC party committee and chairman of Shanghai International Group Financial Services Co., Ltd. (上海國際集團金融服務有限公司), the secretary of CPC party committee and chairman of Shanghai State-owned Assets Operation Co., Ltd. (上海國有資產經營有限公司). Mr. Cheng has been the chairman of Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司) since March 2014, the director of Shanghai XinHua Media Co., Ltd. (上海新華傳媒股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600825) since May 2014, the executive vice chairman of the board of directors of Shanghai XinHua Media Co., Ltd. since September 2017, the Chairman of Shanghai Shangbao Chuanyue Properties Development Co., Ltd. (上海上報傳悅置業發展有限公司) since August 2014, the executive director of Shanghai Wenhui and Xinmin Industry Co., Ltd. (上海文匯新民實業有限公司) since September 2014, the chairman of the supervisory committee of Jiemian (Shanghai) Network Technology Co., Ltd. (界面(上海)網絡科技有限公司) since September 2014, the director of Shanghai Oriental Pearl Real Estate Co., Ltd. (上海東方明珠房地產有限公司) since October 2014, the Chairman of Shanghai Real Power Capital Co., Ltd. (上海瑞力投資基金管理有限公司), the executive director of Shanghai Shenwen Industry Co., Ltd. (上海申聞實業有限公司) since May 2015, the Chairman of Shanghai East Ticket Co.,Ltd. (上海東方票務有限公司), the executive director of Shanghai HR Market News Co., Ltd. (上海人才市場報社有限公司) and Shanghai Realty Times Co., Ltd. (上海房地產時報社有限公司) since February 2016, the chairman of Shanghai Culture Assets and Equity Exchange (上海文化產權交易所股份有限公司) and the executive director of Shanghai Jiefang Media Information Development Co., Ltd. (上海解放傳媒信息發展有限公司) since April 2016, the chairman of the board of directors of Shanghai Dongfang Press Co., Ltd. since March 2017, a director of China Universal Asset Management Company Limited (匯添富基金管理有限公司) since November 2016.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Chen Huifeng (陳輝峰)	<p>Born in 1966, a holder of MBA degree, a senior international business engineer, has been serving as a Supervisor of the Company since 30 December 2014. He has been the general manager of the investment &amp; development department of Donghao Lansheng (Group) Co., Ltd (東浩蘭生(集團)有限公司, formerly Shanghai Donghao &amp; Lansheng International (Group) Co. Ltd (上海東浩蘭生國際服務貿易(集團)有限公司)) since December 2013. He was deputy general manager of the household product branch of Shanghai Light Industrial Products Imp. &amp; Exp. Co., Ltd. (上海市輕工業品進出口公司) from August 1989 to January 1996, general manager of the hardware branch of Shanghai Light Industry International (Group) Co., Ltd. (上海輕工國際(集團)有限公司) from January 1996 to January 2002, deputy general manager of Shanghai Light Industrial Products Imp. &amp; Exp. Co., Ltd. (上海輕工業品進出口有限公司) from January 2002 to March 2002, deputy general manager of Shanghai Light Industrial International Development Corp., Ltd (上海輕工國際發展有限公司) from March 2002 to December 2003, executive general manager and general manager of Shanghai Lansheng Corporation (上海蘭生股份有限公司) from December 2003 to December 2007, and general manager of the operation department and the investment and management department of Shanghai Lansheng (Group) Co., Ltd. (上海蘭生(集團)有限公司) from December 2007 to December 2013, and a director of Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) from May 2014 to January 2016. Mr. Chen has been a director of Shanghai Lansheng Corporation (上海蘭生股份有限公司, listed on the Shanghai Stock Exchange, under the stock code of 600826) since June 2012, and has been the president of Shanghai DLG Exhibition &amp; Events Group Company Limited (上海東浩蘭生會展(集團)有限公司) since July 2016.</p>
Feng Huang (馮煌)	<p>Born in 1971, a holder of MBA degree, an economist and an in-house legal counsel, has been serving as a Supervisor of the Company since 30 December 2014. Mr. Feng joined SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司) in January 1999 and served in various positions, including the president and director since December 2012, and concurrently the vice chairman since September 2014. Mr. Feng has been a director of Shanghai Lujiazui Finance &amp; Trade Zone United Development Co., Ltd. (上海陸家嘴金融貿易區聯合發展有限公司) since July 2004, the chairman of SIIC Investment Co., Ltd. (上海實業投資有限公司) and Hong Kong South Pacific Hotel Co., Ltd. (南洋酒店(香港)有限公司) since April 2012, the vice chairman of Shanghai Guojin Leasing Co., Ltd. (上海國金租賃有限公司) since January 2014, a director of SIIC Group Finance Co., Ltd. (上海上實集團財務有限公司) since May 2014, the chairman of SIIC Shanghai Asset Operation Co. Ltd. (上海上實資產經營有限公司) since December 2014, the chairman and president of Shanghai SIIC Investment Management Consulting Co., Ltd. (上海上實投資管理諮詢有限公司) since December 2014, a director of SIIC Financial Services Holdings Ltd. (上海上實金融服務控股有限公司) since February 2015, a non-executive director of Shanghai International Shanghai Growth Investment Limited (滬光國際上海發展投資有限公司 (listed on the Hong Kong Exchange, under stock code of 0770) since December 2015, a director of Shanghai Invest and Asset Management Co., Ltd. (上海上投資產經營有限公司) since December 2015, and a director of SIIC Shanghai Venture Capital Co. Ltd. (上海上實創業投資有限公司) since October 2018. Mr. Feng was a Director of the Company from 16 May 2011 to 30 December 2014.</p>

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Song Chunfeng (宋春風)	<p>Born in December 1969, a holder of doctor's degree in civil and commercial law, has been serving as a Supervisor of the Company since 11 July 2016. He has been the Managing Director of China Shipowners Mutual Assurance Association(中國船東互保協會) since March 2016. From August 1992 to September 1996, Mr. Song worked at China Ocean Shipping (Group) Company ("COSCO", 中國遠洋運輸(集團)總公司), where he served as an officer at the department of insurance and settlement of claims and the department of commerce, and the deputy section chief level clerk of the unit of commerce under the department of transmission successively. From September 1996 to June 1997, he studied at the China Ocean Administration Training Class (中遠管理培訓班) offered by Peking University. From June 1997 to September 1998, he worked at the America branch of COSCO. From September 1998 to February 2009, he worked at the department of transmission of COSCO, where he successively served as the section chief level clerk, deputy director and director of the division of commerce and the manager of the unit of commerce. From February 2009 to March 2012, he served as the manager of the unit of commerce under the department of transmission of COSCO and China COSCO Holdings Company Limited (listed on the Shanghai Stock Exchange under the stock code of 601919 and on the Hong Kong Exchange under the stock code of 01919 respectively). From March 2012 to March 2016, he worked as the managing director of COSCO (Hong Kong) Insurance Brokers Limited. Mr. Song served as the chairman and the general manager of Shenzhen COSCO Insurance Brokers Limited (深圳中遠保險經紀公司), a member of Documentary Committee of the Baltic and International Maritime Council (Denmark) and a member of the Insurance Committee of Asian Shipowners' Association (亞洲船東協會). Currently, he serves as an arbitrator and a member at China Maritime Arbitration Commission, an arbitrator at South China International Economic and Trade Arbitration Commission, the deputy chairman of Maritime Regulations Studies Committee of China Institute of Navigation (CIN), a director of China Maritime Law Association (CMLA) and a guest research fellow at Peking University Maritime Law Research Centre. Mr. Song has been a director of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600016) since February 2017.</p>
Ren Peng (任澎)	<p><b>Other Senior Management (12)</b></p> <p>Born in 1962, a holder of master's degree in business and administration, an economist, joined the Company in March 1996 and has been the Deputy General Manager since November 1997 and is mainly in charge of investment banking business. Mr. Ren served in several managerial positions in the Xihu Office of the Industrial and Commercial Bank of China (中國工商銀行) from June 1982 to February 1988 and served in various positions in Bank of Communications (中國交通銀行) (Hangzhou Branch) from March 1988 to March 1996 including head of saving business and manager of securities department. In addition, Mr. Ren was manager of Hangzhou business department of Haitong Securities Company Limited from March 1996 to November 1997. Mr. Ren was a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) from October 2008 to August 2011. He has been a director of China-Belgium Direct Equity Investment Fund (中國-比利時直接股權投資基金) since March 2011. Mr. Ren served as the chairman of the board of directors of Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) from June 2014 to May 2017. He has been chairman of the board of Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司) since June 2014. Mr. Ren served as the chairman of board of directors of Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司) from July 2014 to March 2018, and the chairman of the board of directors of Haitong UniTrust Finance &amp; Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司) from November 2014 to August 2018. Mr. Ren has been served as the chairman of the board of directors of Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) since May 2017.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Pei Changjiang (裴長江)	<p>Born in 1965, a holder of master's degree in economics, joined the Company in August 2013. Since then, he has been serving as Deputy General Manager of the Company. From July 1993 to July 1996, Mr. Pei successively held various positions in Shanghai International Securities Co., Ltd., (上海萬國證券公司) including research fellow of research department, and assistant to the general manager, general manager of Zhabei Business Department. From August 1996 to October 2002, he held the position of general manager of Zhabei Business Department, deputy general manager of Zhejiang Management Headquarters and deputy general manager of Brokerage Headquarters of Shenyin Wanguo Securities Co., Ltd., (申銀萬國證券公司). From October 2002 to August 2013, he successively served as investment director of Fortune Trust &amp; Investment Co., Ltd. (華寶信託投資有限責任公司) and a director and general manager of Fortune SGAM Fund Management Co., Ltd. (華寶興業基金管理有限公司). Mr. Pei has been a director of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) since August 2014, chairman of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) since March 2019, chairman of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) since November 2014, and chairman of the board of directors of Haitong Futures Corporation (海通期貨有限公司) from September 2015 to March 2016, and the chairman of the board of directors of Haitong Futures Co., Ltd. (海通期貨股份有限公司) since March 2016.</p>
Mao Yuxing (毛宇星)	<p>Born in 1971, a holder of doctor's degree in science and a post-doctoral degree in management, a senior engineer (professor level), has served as Chief Information Officer and director of IT management committee of the Company since September 2016, Deputy General Manager since February 2019. From August 1993 to September 2001, Mr. Mao successively held various positions in Information Technology Department of Shanghai branch of the Industrial and Commercial Bank of China (中國工商銀行) including programmer, deputy section chief, section chief and deputy director. From September 2001 to November 2011, he worked in Data Centre (Shanghai) of the Industrial and Commercial Bank of China (中國工商銀行), served as assistant to the general manager (deputy department director level and department director level) and member of CPC party committee from September 2001 to December 2004, served as deputy general manager and member of CPC party committee from December 2004 to November 2011. From November 2011 to April 2016, he served as deputy general manager of Information Technology Department of the Industrial and Commercial Bank of China (中國工商銀行).</p>

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Wang Jianye (王建業)	<p>Born in 1960, a holder of master's degree, a senior economist, joined the Company in August 1994 and has been the General Compliance Officer since July 2010, and the general manager of Compliance and Legal Department of the Company since March 2017. He is mainly in charge of compliance management departments. Mr. Wang is also a deputy director of Compliance Committee of the Securities Association of China (中國證券業協會合規專業委員會), and the deputy director of Compliance and Self-discipline Supervision Committee of Shanghai Securities Association (上海證券同業公會合規與自律監察專業委員會). Mr. Wang was successively deputy section chief level clerk, trainee deputy director and deputy director of education division of PBOC (中國人民銀行) Inner Mongolia Branch from August 1984 to August 1990, deputy director of Financial Administration Division of PBOC Inner Mongolia Branch from August 1990 to May 1992, deputy general manager of the securities department of Inner Mongolia Securities Company (內蒙古自治區證券公司) from May 1992 to March 1993 and deputy general manager of the same company from March 1993 to July 1994. Mr. Wang previously served in various positions in the Company including head of trading department from August 1994 to March 1996, deputy general manager of business management headquarters from March 1996 to September 1998, and general manager of integrated business management headquarters from September 1998 to August 2004. Mr. Wang was assistant to general manager of the Company from June 2001 to February 2011, general manager of brokerage business headquarters from March 2005 to June 2006 and general manager of risk control headquarters from October 2008 to March 2011, and was successively in charge of integrated business management headquarters, brokerage business headquarters, I.T. department, brokerage operations centre, sales and transactions headquarters, customer asset management department and risk control department. Mr. Wang concurrently served as the Chief Risk Office (enjoying the Company's deputy general manager level benefits) from May 2011 to March 2017.</p>
Chen Chunqian (陳春錢)	<p>Born in 1963, a holder of doctor's degree in economics, joined the Company in October 1997 and has been the assistant to General Manager since March 2012, responsible for the brokerage business of the Company. Mr. Chen is also the director of the brokerage committee, the deputy director of IT management committee, and a member of international business coordination committee. He has enjoyed the Company's deputy general manager level benefits since February 2017. He is also a deputy director of Financing Securities Business Committee under the Securities Association of China (中國證券業協會融資融券業務委員會), the deputy director of Securities Conflict Resolution Committee of Shanghai Securities Association (上海證券同業公會證券糾紛調解專業委員會). Mr. Chen also served in various positions in the Company, including the head of business department of Shenzhen Branch from October 1997 to January 1998, the deputy general manager of international business department from January 1998 to March 2000, the deputy general manager of Shenzhen Branch from March 2000 to December 2000, the general manager of investment management department (Shenzhen) from December 2000 to May 2006, the general manager of sales and trading headquarters from May 2006 to February 2013 and the general manager of the institutional department during the period of November 2007 to March 2009. Mr. Chen has been a director of E-Capital Transfer Co., Ltd. (證通股份有限公司) since January 2015.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Li Jianguo (李建國)	Born in 1963, a holder of doctor's degree in economics, joined the Company in 1998, and has been the assistant to the General Manger of the Company since 2008. Mr. Li served as a general manager of Henan Securities Co., Ltd. (河南省證券有限公司) from 1992 to 1998, a deputy general manager of Haitong Securities Co., Ltd. from 1998 to 1999, a vice chairman and general manger of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) from May 1999 to August 2008. Mr. Li served as the chairman of Haitong International Holdings Limited (海通國際控股有限公司) from October 2008 to August 2010. He has been the vice chairman of Haitong International Holdings Limited since August 2010, an executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Exchange, under the stock code of 00665) since January 2010 and vice chairman of the Board of Haitong International Securities Group Limited since March 2010.
Zhang Xiangyang (張向陽)	Born in 1965, a holder of bachelor's degree in engineering, a senior economist, joined the Company in May 1996 and has been the assistant to the General Manager since December 2014 and the director of the PE and industrial capital investment committee of the Company since March 2013, mainly responsible for the direct equity investments. Mr. Zhang previously worked in Xinhua Bookstore in Taiyuan from December 1983 to April 1988, in Shanxi Radio & TV University (山西廣播電視大學) from April 1988 to December 1991, and in the Bank of Communications Taiyuan Branch (交通銀行太原分行) from December 1991 to May 1996. Mr. Zhang served in various positions in the Company, including deputy general manager (in charge of operations) and general manager of Taiyuan business department from May 1996 to April 2002, deputy general manager and general manager of integrated business management headquarters from April 2002 to May 2006, general manager of risk control headquarters from May 2006 to October 2008, a director, general manager and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司) from October 2008 to November 2012, a director of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from June 2012 to August 2015, chairman of Haitong Innovative Capital Management Co., Limited (海通創新資本管理有限公司) from November 2011 to July 2015, chairman of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from August 2015 to March 2016, a director of Haitong New Energy Equity Investment Management Co., Ltd. (海通新能源股權投資管理有限公司) from July 2013 to May 2016, and chairman of Haitong New Energy Equity Investment Management Co., Ltd. from July 2015 to May 2016. Mr. Zhang has been chairman and the director of the investment decision committee of Haitong Capital Investment Co., Ltd. since November 2012, chairman of Haitong Creative Capital Management Co., Ltd. since March 2016, and the chairman of Haitong M&A Capital Management (Shanghai) Co., Ltd. (海通併購資本管理(上海)有限公司) since June 2016, a director of Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司) since March 2018. Mr. Zhang currently serves as the director of Direct Investment Committee under the Securities Association of China (中國證券業協會直接投資業務專業委員會) and the vice president of PE Association of Shanghai (上海股權投資協會).

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Lin Yong (林湧)	<p>Born in 1969, a holder of doctor's degree in economics, joined the Company in December 1996 and has been the assistant to the General Manager since December 2014, and general manager of Haitong International Holdings Limited (海通國際控股有限公司) since July 2007. Mr. Lin served in various positions in the Company, including as a deputy general manager in investment banking department from December 1996 to July 2003, and as deputy general manager (in charge of operations) from January 2001 to July 2003, deputy general manager of the fixed income department from July 2003 to May 2004, successively deputy general manager (in charge of operations) and general manager of the investment bank department (Shanghai) from May 2004 to July 2007, Mr. Lin has been an executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 00665) since December 2009, an executive director and the joint chief executive of Haitong International Securities Group Limited from March 2010 to March 2011. Mr. Lin has been an executive director, the vice chairman of the board of directors, managing director and chief executive officer of Haitong International Securities Group Limited since April 2011, a non-executive director of Haitong Bank S.A. since June 2016, and the chairman of the board of director of Haitong Bank S.A. since October 2017.</p>
Jiang Chengjun (姜誠君)	<p>Born in 1968, a holder of master's degree in economics, an economist, has been assistant to the General Manger and the Secretary of the Board since 29 March 2017, the joint Company Secretary and joint Authorised Representative of the Company since 5 April 2017, the general manager of investment banking headquarter of the Company since April 2017. Mr. Jiang has been a cadre of Xiamen ITG Group Co., Ltd. (廈門國貿集團股份有限公司) from July 1993 to July 1994, a deputy manager of finance and securities department, a manager of investment management and development department, an assistant to general manager, a secretary to the board of directors and a deputy general manager of Xiamen Guotai Enterprises Co., Ltd. (廈門國泰企業股份有限公司) from July 1994 to August 2000. He joined the Company in August 2000, and served in various positions in the Company, including a deputy manager in the investment banking department from August 2000 to July 2007, a vice manager (in charge of operations) in the investment banking department from July 2007 to April 2009, a member of investment banking committee from March 2010 to February 2011, a member of international business coordination committee from February 2011 to March 2014, the general manager of investment banking department of the Company from April 2009 to April 2017. Mr. Jiang has been a deputy director of investment banking committee of the Company since February 2011.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Du Hongbo (杜洪波)	<p>Born in 1963, a holder of bachelor's degree in industrial automation, an engineer, has been the Chief Risk Officer of the Company since May 2017 and the general manager of the Risk Management Department of the Company since March 2017. Mr. Du worked at Wuhan Computer Application Institute (武漢市電子電腦應用開發研究所) from August 1984 to December 1990, Wuhan Branch of Stone Group Corp. (四通集團武漢分公司) from December 1990 to August 1992, Wuhan Software Research Centre (武漢軟體研究中心) from August 1992 to August 1996, the information technology centre of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) from August 1996 to March 2002. Mr. Du was the assistant to the general manager of the website management department of the Company from March 2002 to May 2005, the assistant to the general manager of the brokerage business headquarters of the Company from May 2003 to May 2005, the deputy general manager of integrated business management headquarters of the Company from May 2005 to May 2006. He worked at the risk control headquarters of the Company from May 2006 to March 2011, served, successively, as the deputy general manager and the deputy general manager (with benefits as a general manager). He was the general manager of the compliance and risk management headquarters of the Company from March 2011 to January 2013, the general manager of OTC department of the Company from January 2013 to February 2014, the general manager of securities finance department of the Company from February 2014 to March 2017. Mr. Du was an Employee Representative Supervisor of the Company from 16 May 2011 to 30 December 2014.</p>
Pan Guangtao (潘光韜)	<p>Born in 1971, a holder of MBA degree, an engineer and assistant economist, has been the assistant to the General Manger of the Company since May 2017 and the general manager of the Equity Investment Trading Department of the Company since March 2013. Mr. Pan worked as head of IT at IT Department of Brokerage Headquarter of Shenyin Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司) from July 1994 to July 1998. He worked at First Securities Investment Department of Securities Investment Headquarter of Shenyin Wanguo Securities Co., Ltd. from July 1998 to July 2002, served, successively, as assistant to manager, deputy manager. Mr. Pan worked as assistant to general manager of Second Trading Department of the Company from August 2002 to June 2003. He worked at Trading Headquarter from July 2003 to August 2004, served, successively, as assistant to general manager, deputy general manager. He worked as deputy general manager of Investment Management Department from August 2004 to August 2006. He worked at Securities Investment Department from August 2006 to March 2013, served as deputy general manager, deputy general manager (in charge of operations). He has been a non-executive director of Haitong Bank S.A. since November 2015.</p>



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Name	Major Work Experience
Zhang Xinjun (張信軍)	<p>Born in 1975, a holder of master's degree in management, an accountant, joined the Company in July 2001 and has been the chief financial officer of the Company since 27 March 2018. Mr. Zhang worked at the Finance and Accounting Department of the Company from July 2001 to June 2007, served in various positions including clerk, deputy section chief and section chief of asset management section. He has worked at Haitong International Holdings Limited (海通國際控股有限公司) since July 2007, and has been the head of finance from July 2007 to February 2009, the chief financial officer since March 2009. Mr. Zhang served as chief financial officer of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Exchange under the stock code of 00665) from March 2010 to March 2018. He has been the non-executive director, members of the audit committee and strategic development committee of Haitong International Securities Group Limited since March 2018, a non-executive director of Haitong Bank S.A. since January 2018 and a director of Fullgoal Fund Management Co., Ltd since February 2019.</p>
Ji Yuguang (吉宇光)	<p><b>Resigned Senior Management (3)</b></p> <p>Born in 1957, a holder of master's degree, a senior economist, joined the Company in November 1995 and served as the Deputy General Manager of the Company from November 1997 to January 2018 and was mainly in charge of international business. Mr. Ji was an officer of Finance Department of Beijing Planning Commission (北京市計委財金處) from August 1983 to November 1988. Mr. Ji served in various positions in Bank of Communications (中國交通銀行) (Beijing Branch) from November 1988 to November 1995, including deputy manager and manager of securities trading department of the same branch. He also served as head and general manager of Beijing Langjiayuan business department of Haitong Securities Company Limited from November 1995 to November 1997. Mr. Ji served as the chairman of Jilin Modern Agricultural and Emerging Markets Investment Fund Limited (吉林省現代農業和新興產業投資基金有限公司) from December 2010 to May 2011, a director of China-Belgium Direct Equity Investment Fund (中國-比利時直接股權投資基金) from November 2004 to March 2011, a director of HFT Investment Management Co., Ltd. (海富通基金管理有限公司) from April 2003 to March 2016. Mr. Ji served as a non-executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Exchange under the stock code of 0665) from January 2010 to February 2018 and chairman of board of directors of Haitong International Securities Group Limited from April 2011 to February 2018, a director of Haitong International Holdings Limited from August 2010 to February 2018, chairman of the board of directors of Haitong International Holdings Limited (海通國際控股有限公司) from March 2011 to February 2018.</p>



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Major Work Experience
Li Chuqian (李礎前)	<p>Born in 1957, a holder of master degree in economics, a senior economist, joined the Company in August 1994 and served as chief financial officer of the Company (enjoying the Company's deputy general manager level benefits) from July 2007 to March 2018, mainly in charge of finance. Mr. Li was previously deputy section chief level clerk of Central Enterprise Department of Anhui Provincial Department of Finance (安徽省財政廳中企處) from July 1988 to August 1991 and section chief of Anhui Provincial State-owned Assets Supervision and Administration Bureau (安徽省國有資產管理局) from August 1991 to July 1994. Mr. Li served in various positions in the Company including head of planning and finance department from August 1994 to March 1996, deputy general manager of finance and accounting department from March 1996 to April 1998, general manager of finance and accounting department from April 1998 to July 2001, and deputy chief financial officer and general manager of finance and accounting department from July 2001 to July 2007. He was a director of Shanghai Jielong Industry Group Corporation Limited (上海界龍實業集團股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600836) from May 2006 to May 2009, the supervisor of Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司) from June 2012 to October 2016. Mr. Li was chairman of the supervisory committee of HFT Investment Management Co., Ltd. (海富通基金管理有限公司) from April 2003 to April 2018, and a director of Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司) from June 2010 to March 2018.</p>
Hiroki Miyazato (宮里啓暉)	<p>Born in 1965, a holder of master's degree in biophysics and biochemistry, joined the Company in May 2009 and served as the Deputy General Manager from March 2012 to December 2018. He was mainly in charge of the business of securities investment, trading, Shanghai FTZ (上海自貿試驗區) and OTC business. Mr. Miyazato was a manager in fixed income department of Credit First Boston (currently known as Credit Suisse Group AG) from April 1993 to March 1994. He was head of Asia department of Tokyo branch of Deutsche Genossenschaftsbank AG (currently known as Deutsche Zentral-Genossenschaftsbank AG) from April 1994 to March 1998. Mr. Miyazato was the global market investment manager of proprietary investment department of Tokyo branch of J.P. Morgan from April 1998 to September 1999. Mr. Miyazato was a fund manager of global strategic asset management, a senior fund manager of alternative investment, general manager of the China Investment Department and president of the Greater China area of Nikko (Citi) Asset Management Co., Ltd. from October 1999 to March 2009. He was also a director and the shareholder representative of Rongtong Fund Management Co., Ltd. (融通基金管理有限公司) from April 2007 to April 2009. He was general manager of international business department of the Company from May 2009 to March 2012. Mr. Miyazato was the chairman of Haitong Bank S.A. from September 2015 to October 2017, and CEO of Haitong Bank S.A. from December 2016 to October 2017.</p>

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### *Changes in Senior Management*

On 25 January 2018, the Company published an announcement in relation to Mr. Ji Yuguang ceasing to serve as a Deputy General Manager of the Company. Mr. Ji Yuguang no longer served as a deputy general manager of the Company due to age reason. After he ceases to be a deputy general manager of the Company, Mr. Ji no longer holds any other position in the Company.

On 27 March 2018, the proposal regarding appointment of Chief Financial Officer was considered and approved at the 29th meeting of the sixth session of the Board. As Mr. Li Chuqian ceased to act as the Chief Financial Officer due to age reason, the Board of the Company appointed Mr. Zhang Xinjun as the Chief Financial Officer in accordance with the PRC Company Law and the Articles of Association. Mr. Zhang Xinjun's qualification has been approved by the securities regulatory authorities and he took his term of office on the date of such approval.

On 27 December 2018, the Company published an announcement on Resignation of Deputy General Manager. Mr. Hiroki Miyazato resigned as the deputy general manager of the Company due to personal career development reason. For further information, please refer to the announcement of the Company dated 27 December 2018.

### **(II) Share incentives granted to the Directors and senior management during the Reporting Period**

During the Reporting Period, no share incentives were granted to the Directors, Supervisors or senior management of the Company.



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### II. POSITIONS OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

#### (I) Positions in shareholder entities

Name	Name of shareholder entities	Positions taken in the shareholder entities	Commencement date of tenure for the session	Ending date of tenure for the session
<b>Positions of current Directors:</b>				
Yu Liping	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	Vice President	2010	to date
Chen Bin	Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司)	Deputy General Manager	2017	to date
Wu Yuezhou	Shenergy Group Company Limited (申能(集團)有限公司)	Deputy Chief Economist, Manager of Asset Management Department	2016	to date
Xu Jianguo	Shanghai Electric (Group) Corporation (上海電氣(集團)總公司)	Minister of Finance and Budget Department	2013	to date
Zhang Xinmei	Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司)	Vice President	2014	to date
Shen Tiedong	Liaoning Energy Investment (Group) Co., Ltd. (遼寧能源投資(集團)有限責任公司)	Vice Chairman, Deputy Secretary of CPC Party Committee, General Manager	2014	2018
<b>Positions of current Supervisors:</b>				
Li Lin	Bright Food (Group) Co., Ltd. (光明食品(集團)有限公司)	Vice President	2018	to date
Zheng Xiaoyun	Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司)	Chief Financial Officer, Secretary to the Board	2015	to date
	Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司)	Director	2017	to date
Cheng Feng	Shanghai United Media Group (上海報業集團)	Members of CPC Party Committee, Deputy General Manager	2013	to date
Song Chunfeng	China Shipowners Mutual Assurance Association (中國船東互保協會)	General Manager	2016	to date
Chen Huifeng	Shanghai Lansheng Corporation (上海蘭生股份有限公司)	Director	2012	to date

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## (II) Positions in other entities

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
<b>Positions of current Directors:</b>				
Yu Liping	Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司)	Legal Representative	2014	to date
	Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司)	Chairman of the supervisory committee	2014	to date
Chen Bin	NGS Supermarket (Group) Co., Ltd. (農工商超市(集團)有限公司)	Chairman of the supervisory committee	2013	2018
	Orient Securities Company Limited (東方證券股份有限公司)	Non-executive director	2014	to date
	Jingan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團靜安煙草糖酒有限公司)	Director	2016	to date
	Luwan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團盧灣煙草糖酒有限公司)	Director	2016	to date
	Railway Tobacco Co., Ltd. of Shanghai Tobacco Group (上海煙草集團鐵路煙草有限公司)	Director	2016	to date
	Jiading Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團嘉定煙草糖酒有限公司)	Director	2016	to date
	Putuo Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團普陀煙草糖酒有限公司)	Director	2016	to date
	Huangpu Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團黃浦煙草糖酒有限公司)	Director	2016	to date
	Fengxian Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團奉賢煙草糖酒有限公司)	Director	2016	to date
	Jinshan Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團金山煙草糖酒有限公司)	Director	2016	to date
	Changning Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團長寧煙草糖酒有限公司)	Director	2016	to date
Shanghai Magnolia Tobacco Materials Co., Ltd. (上海白玉蘭煙草材料有限公司)	Director	2016	to date	
Shanghai Jinding Printing Co., Ltd. (上海金鼎印務有限公司)	Director	2016	to date	



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Shanghai Haiyan Tobacco Industry Chain Enterprise Management Co., Ltd. (上海海煙煙行連鎖企業管理有限公司)	Director	2016	to date
	Shanghai Tobacco Packaging and Printing Co., Ltd. (上海煙草包裝印刷有限公司)	Director	2017	to date
	Shanghai Peony Perfumery Co., Ltd. (上海牡丹香精香料有限公司)	Director	2017	to date
	Huahuan International Tobacco Co., Ltd. (華環國際煙草有限公司)	Director	2017	to date
	Zhabei Tobacco, Sugar and Wine Co., Ltd. of Shanghai Tobacco Group (上海煙草集團閩北煙草糖酒有限公司)	Director	2016	2018
Xu Jianguo	Shanghai Prime Machinery Co., Ltd. (上海集優機械股份有限公司)	Chairman of the supervisory committee	2016	to date
	Orient Securities Company Limited (東方證券股份有限公司)	Director	2016	to date
	Shanghai Life Insurance Company Ltd. (上海人壽保險股份有限公司)	Director	2015	to date
	Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司)	Director	2013	to date
	Shanghai Micro Electronics Equipment Group Co., Ltd. (上海微電子裝備股份有限公司)	Director	2016	to date
	Shanghai Highly (Group) Co., Ltd. (上海海立(集團)股份有限公司)	Chairman of the supervisory committee	2017	to date
Zhang Xinmei	China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司)	Supervisor	2015	to date
	China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司)	Supervisor	2015	to date
Shen Tiedong	Liaoning Environmental Protection Group Co., Ltd. (遼寧省環保集團有限責任公司)	Chairman, Secretary of CPC Party Committee	2018	to date
<b>Positions of current independent non-executive Directors:</b>				
Liu Cheeming	Platinum Holdings Limited (百德能控股有限公司)	Managing Director	1996	to date
	OUE Hospitality Trust Management Pte. Ltd. (華聯酒店信託管理有限公司)	Independent non-executive director	2013	to date
	OUE Hospitality REIT Management Pte. Ltd. (華聯酒店房地產信託管理有限公司)	Independent non-executive director	2013	to date
	Dalian Wanda Commercial Management Group Co., Ltd. (大連萬達商業管理集團股份有限公司)	Independent supervisor	2015	to date

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Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	STTGDC Pte. Ltd.	Independent non-executive director	2015	to date
	DBS Bank (Hong Kong) Limited (星展銀行(香港)有限公司)	Independent non-executive director	2018	to date
	Starhub Ltd. (星和有限公司)	Independent non-executive director	2004	2018
Xiao Suining	Herald Pacific Financial Leasing Co., LTD. (先鋒太盟融資租賃有限公司)	Chairman	2013	to date
	Beijing SPC Environment Protection Tech Co., LTD. (北京清新環境技術股份有限公司)	Independent director	2013	to date
	Zhongrun Resources Investment Incorporated Company (中潤資源投資股份有限公司)	Independent director	2013	to date
	Nan Hai Corporation Limited (南海控股有限公司)	Independent director	2016	to date
	China Digital Information Co., Ltd. (中國數碼信息有限公司)	Independent director	2016	to date
	Shanghai Tahone Enterprise Management Consulting Co., Ltd. (上海太合匯企業管理諮詢有限公司)	Chairman	2016	to date
	Tahone (Shanghai) Enterprise Development Co., Ltd. (太合匯(上海)企業發展有限公司)	Chairman	2016	to date
	Shenzhen Qianhai Taining Investment Consulting Co., Ltd. (深圳前海太寧投資諮詢有限公司)	Director	2016	to date
	Chengdu Golden Apple Education Consulting Co., Ltd. (成都金蘋果教育諮詢有限公司)	Director	2016	to date
	Shenzhen Xin Jiao Cultural Information Consulting Co., Ltd. (深圳鑫教文化信息諮詢有限公司)	Chairman	2017	to date
	Shenzhen Sida Assets Management Co., Ltd (深圳市思達資產管理有限公司)	Director	2017	to date
	Chengdu Golden Apple Education Investment Co., Ltd. (成都金蘋果教育投資有限責任公司)	Director	2017	to date
	Zhenai Information Technology (Shenzhen) Co., Ltd (珍愛信息技術(深圳)有限公司)	Director	2017	to date
	Tahone Investment Management (Ningbo) Co., Ltd. (太合匯投資管理(寧波)有限公司)	Chairman and General Manager	2017	2018
Feng Lun	Vantone Holdings Co., Ltd. (萬通投資控股股份有限公司)	Chairman	1993	to date
	Beijing Sifang Yufeng Investment Co., Ltd. (北京四方御風投資有限公司)	Chairman	2016	to date
Zhang Ming	School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院)	Professor	1997	to date



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Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Lam Lee G.	Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (上海金橋出口加工區開發股份有限公司)	Independent director	2011	to date
	Wuxi Commercial Mansion Grand Orient Co., Ltd. (無錫商業大廈大東方股份有限公司)	Independent director	2015	to date
	Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司)	Independent director	2016	to date
	Macquarie Infrastructure and Tangible Assets (Hong Kong) Limited (麥格理基礎建設及有型資產(香港)有限公司)	Non-executive Chairman of the ASEAN region, and Chief Adviser to the Asian region	2015	to date
	P.C. Woo & Co. (胡百全律師事務所)	Senior associate	2014	to date
	Adamas Finance Asia Limited	Director	2017	to date
	China Real Estate Grp Limited (former name: Asia-Pacific Strategic Investments Limited)	Independent director	2017	to date
	AustChina Holdings Limited (former name: Coalbank Limited)	Independent director	2013	to date
	China LNG Group Co., Ltd. (中國天然氣集團有限公司)	Director	2014	to date
	China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司)	Director	2017	to date
	CSI Properties Limited (資本策略地產有限公司)	Independent director	2001	to date
	Elife Holdings Limited (former name: Sino Resources Group Limited) (易生活控股有限公司) (former name: 神州資源集團有限公司)	Independent director	2015	to date
	Glorious Sun Enterprises Limited (旭日企業有限公司)	Independent director	2004	to date
	Hua Long Jin Kong Company Limited (formal name: Highlight China IoT International Limited) (華隆金控有限公司) (former name: 高銳中國物聯網國際有限公司)	Independent director	2017	to date
	Huarong Investment Stock Corporation Limited (華融投資股份有限公司)	Independent director	2017	to date
	Kidsland International Holdings Limited (凱知樂國際控股有限公司)	Independent director	2017	to date
	Mei Ah Entertainment Group Ltd. (美亞娛樂諮詢信息集團有限公司)	Independent director	2017	to date
National Arts Entertainment and Culture Group Ltd. (國藝娛樂文化集團有限公司)	Director	2017	to date	
Singapore Development Ltd	Director	2017	to date	
Sunwah International Limited	Independent director	2011	to date	



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Sunwah Kingsway Capital Holdings Limited (新華匯富金融控股有限公司)	Director	2007	to date
	Tianda Pharmaceuticals Ltd. (天大藥業有限公司)	Director	2018	to date
	Top Global Limited	Independent director	2010	to date
	Vongroup Limited (黃河實業有限公司)	Independent director	2005	to date
	China Medical (International) Group Limited (中國醫療(國際)集團有限公司)	Independent director	2018	to date
	Hsin Chong Group Holdings Limited (新昌集團控股有限公司)	Independent director	2018	to date
	Mingfa Group (International) Company Limited (明發集團(國際)有限公司)	Independent director	2018	to date
	Hong Kong Casin Holdings Limited (香港財信控股有限公司)	Director	2017	2018
	PT Purimas Sasmita (Sinar Mas Group 金光集團)	Senior Consultant	2017	2018
	Rowsley Limited	Independent director	2002	2018
	Vietnam Equity Holding (VEH) (Vietnam Property Holding (VPH), incorporated to (VEH) on 30 June 2017)	Independent director	2007	2018
	Xi'an Haitian Holdings Co., Ltd. (former name: Xi'an Haitian Antenna Technologies Co., Ltd.) (西安海天實業股份有限公司) (former name: 西安海天天線控股股份有限公司)	Independent director	2017	2018
<b>Positions of current Supervisors:</b>				
Li Lin	Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司)	Chairman	2014	to date
	Sailing Capital Management Co., Ltd. (賽領資本管理有限公司)	Director	2014	to date
	Sailing Capital International Fund (Shanghai) Co., Ltd. (賽領國際投資基金(上海)有限公司)	Director	2014	to date
Cheng Feng	Shanghai Shangbao Asset Management Co., Ltd. (上海上報資產管理有限公司)	Chairman	2014	to date
	Shanghai Xinhua Media Co., Ltd. (上海新華傳媒股份有限公司)	Director	2014	to date
	Shanghai Xinhua Media Co., Ltd. (上海新華傳媒股份有限公司)	Executive Vice Chairman	2017	to date
	Shanghai Shangbao Chuanyue Properties Development Co., Ltd. (上海上報傳悅置業發展有限公司)	Chairman	2014	to date
	Shanghai Wenhui and Xinmin Industry Co., Ltd. (上海文匯新民實業有限公司)	Executive Director	2014	to date



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Jiemian (Shanghai) Network Technology Co., Ltd (界面(上海)網絡科技有限公司)	Chairman of the Supervisory Committee	2014	to date
	Shanghai Oriental Pearl Real Estate Co., Ltd. (上海東方明珠房地產有限公司)	Director	2014	to date
	Shanghai Real Power Capital Co., Ltd. (上海瑞力投資基金管理有限公司)	Chairman	2015	to date
	Shanghai Shenwen Industry Co., Ltd. (上海申聞實業有限公司)	Executive Director	2015	to date
	Shanghai East Ticket Co., Ltd. (上海東方票務有限公司)	Chairman	2016	to date
	Shanghai Human Resource Market Press Co., Ltd. (上海人才市場報社有限公司)	Executive Director	2016	to date
	Shanghai Real Estate Times Press Co., Ltd. (上海房地產時報社有限公司)	Executive Director	2016	to date
	Shanghai Culture Assets and Equity Exchange Co., Ltd. (上海文化產權交易所股份有限公司)	Chairman	2016	to date
	Shanghai Jiefang Media Information Development Co., Ltd. (上海解放傳媒信息發展有限公司)	Executive Director	2016	to date
	Shanghai Dongfang Press Co., Ltd. (上海東方報業有限公司)	Chairman	2017	to date
	China Universal Asset Management Company Limited (匯添富基金管理股份有限公司)	Director	2016	to date
Feng Huang	SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司)	Director, President	2012	to date
	SIIC Investment (Shanghai) Co., Ltd. (上實投資(上海)有限公司)	Vice Chairman	2014	to date
	Shanghai Lujiazui Finance & Trade Zone United Development Co., Ltd. (上海陸家嘴金融貿易區聯合發展有限公司)	Director	2004	to date
	SIIC Investment Co., Ltd. (上海實業投資有限公司), South Pacific Hotel Hong Kong Co., Ltd. (南洋酒店(香港)有限公司)	Chairman	2012	to date
	Shanghai Guojin Leasing Co., Ltd. (上海國金租賃有限公司)	Vice Chairman	2014	to date
	Shanghai SIIC Group Finance Co., Ltd. (上海上實集團財務有限公司)	Director	2014	to date
	Shanghai SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司)	Chairman	2014	to date

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Shanghai SIIIC Financial Services Holdings Co., Ltd. (上海上實金融服務控股有限公司)	Director	2015	to date
	Shanghai International Shanghai Growth Investment Limited (listed on the Hong Kong Stock Exchange, stock code: 0770)	Non-executive Director	2015	to date
	Shanghai Shangtou Asset Operation Co., Ltd. (上海上投資產經營有限公司)	Director	2015	to date
	Shanghai SIIIC Investment Management Consulting Co., Ltd. (上海上實投資管理諮詢有限公司)	Chairman, President	2014	to date
	Shanghai SIIIC Venture Capital Co., Ltd. (上海上實創業投資有限公司)	Director	2018	to date
Song Chunfeng	China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司)	Director	2017	to date
Chen Huifeng	Shanghai East Best International (Group) Co., Ltd. (上海東浩蘭生(集團)有限公司) (Forerunner: Shanghai East Best & Lansheng International (Group) Co., Ltd) (上海東浩蘭生國際服務貿易(集團)有限公司)	General Manager of Investment and Development Department	2013	to date
	Shanghai East Best Exhibition Group Co., Ltd. (上海東浩蘭生會展(集團)有限公司)	President	2016	to date
<b>Positions of other senior management:</b>				
Ren Peng	China-Belgium Direct Equity Investment Fund (中國-比利時直接股權投資基金)	Director	2011	to date
	Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司)	Chairman	2014	to date
	Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) (Forerunner: Haitong UniTrust International Leasing Corporation) (海通恒信國際租賃有限公司)	Chairman	2014	to date
	Haitong UniFortune International Leasing Co., Ltd (海通恒運國際租賃有限公司)	Chairman	2014	2018
	Haitong UniTrust Finance & Leasing Corporation (Shanghai) (海通恒信融資租賃(上海)有限公司)	Chairman	2014	2018
Pei Changjiang	Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)	Director	2014	to date
	Shanghai Haitong Securities Asset Management Company Ltd. (上海海通證券資產管理有限公司)	Chairman	2014	to date
	Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司)	Chairman	2019	to date



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
	Haitong Futures Co., Ltd. (海通期貨股份有限公司)	Chairman	2015	to date
Chen Chunqian	E-Capital Transfer Co., Ltd. (證通股份有限公司)	Director	2015	to date
Li Jianguo	Haitong International Holdings Limited (海通國際控股有限公司)	Vice Chairman	2010	to date
	Haitong International Securities Group Limited (海通國際證券集團有限公司)	Executive Director	2010	to date
	Haitong International Securities Group Limited (海通國際證券集團有限公司)	Vice chairman of the Board	2010	to date
Zhang Xiangyang	Haitong Capital Investment Co., Ltd. (海通開元投資有限公司)	Chairman and Director of Investment Decision Committee	2012	to date
	Haitong Innovation Capital Management Co., Limited (海通創意資本管理有限公司)	Director	2016	to date
	Haitong M&A Capital Management (Shanghai) Limited (海通併購資本管理(上海)有限公司)	Chairman	2016	to date
	Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司)	Director	2018	to date
Lin Yong	Haitong International Holdings Limited (海通國際控股有限公司)	General Manager	2007	to date
	Haitong International Securities Group Limited (海通國際證券集團股份有限公司)	Executive Director	2009	to date
	Haitong International Securities Group Limited (海通國際證券集團股份有限公司)	Vice Chairman of the Board, Managing Director, Chief Executive Officer	2011	to date
	Haitong Bank, S. A. (海通銀行)	Non-Executive Director	2016	to date
	Haitong Bank, S. A. (海通銀行)	Chairman	2017	to date
Pan Guangtao	Haitong Bank, S. A. (海通銀行)	Non-Executive Director	2015	to date
Zhang Xinjun	Haitong International Securities Group Limited (海通國際證券集團有限公司)	Non-Executive Director, Member of the Audit Committee and Member of the Strategic Development Committee	2018	to date
	Haitong Bank, S. A. (海通銀行)	Non-Executive Director	2018	to date
	Fullgoal Fund Management Co., Ltd.	Director	2019	to date
<b>Positions of resigned senior management:</b>				
Ji Yuguang	Haitong International Securities Group Limited (海通國際證券集團有限公司)	Non-Executive Director	2010	2018
	Haitong International Securities Group Limited (海通國際證券集團有限公司)	Chairman of the Board	2011	2018
	Haitong International Holdings Limited (海通國際控股有限公司)	Director	2010	2018
	Haitong International Holdings Limited (海通國際控股有限公司)	Chairman of the Board	2011	2018

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Name of entities	Positions taken in other entities	Commencement date of tenure for the session	Ending date of tenure for the session
Li Chuqian	HFT Investment Management Co., Ltd. (海富通基金管理有限公司)	Chairman of the supervisory committee	2003	2018
	Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司)	Director	2010	2018

## III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Procedure for determining the remunerations of Directors, Supervisors and senior management

The remuneration of our independent non-executive Directors are determined by the Board and proposed to the general meeting for consideration and approval. The allowances of the independent non-executive Directors are provided monthly. The remuneration of the senior management is considered and determined by the Board. Procedures for determination of the remunerations of Directors and senior management are as follows: the Nomination, Remuneration and Assessment Committee of the Board is responsible for making recommendations to the Board on the remunerations and structure for all Directors and senior management and on the establishment of standard and transparent procedures for developing remuneration policy. The Board decides the remunerations, rewards and punishment matters for the senior management, and the general meeting decides the remunerations of the Directors.

Basis of determining the remunerations of the Directors, Supervisors and senior management

Remunerations of the Directors and Supervisors (non-employee Supervisors) are determined by reference to factors including operating results of the Company, their functions and duties, performance and market environment. Remunerations of the independent non-executive Directors is determined based on the average level of our listed competitors in the industry. The non-executive Directors and external Supervisors do not receive any remuneration from the Company. Remunerations of our internal Directors, employee Supervisors and senior management is determined based on the remuneration and assessment system of the Company and according to their positions and duties and the progress of achieving annual targets. Under the existing legal framework, the Company has a bonus scheme based on performance. The Board will offer and distribute bonus based on the Company's operating results in accordance with the established policy.



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Actual payments of remunerations of the Directors, Supervisors and senior management

For details, please refer to “Changes in shareholding and remunerations of current and resigned Directors, Supervisors and senior management during the Reporting Period” in this section.

Remunerations received in aggregate by all the Directors, Supervisors and senior management at the end of the Reporting Period

The actual remuneration received in aggregate by all the Directors, Supervisors and senior management from the Company at the end of the Reporting Period is RMB49,231.4 thousand. (The total number above did not include remunerations senior management received from subsidiaries of the Company. The total amount of remuneration before tax received by the Directors, Supervisors and senior management from the Company during the Reporting Period included the 2018 deferred payment of performance bonus attributable to the year 2017 and 2016.)

### IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Particulars of changes	Reasons of change
Ji Yuguang	Deputy General Manager	Resignation	Age reason
Li Chuqian	Chief Financial Officer	Resignation	Age reason
Hiroki Miyazato	Deputy General Manager	Resignation	Personal career development reason
Zhang Xinjun	Chief Financial Officer	Appointment	/

### V. PARTICULARS ABOUT PUNISHMENTS IMPOSED BY SECURITIES REGULATORY AUTHORITIES DURING RECENT THREE YEARS

On 25 November 2016, the CSRC issued to the Company the Notice of Administration Penalty ([2016] No. 127), which found that the Company failed to certify and effectively manage the third-party trading software for end-users provided by Hundsun Technologies Inc. with dedicated access to the Company’s Hangzhou Jiefang Road Securities Business Department and Shanghai Jianguo West Road Securities Business Department, and was lack of understanding of its customers. The Company was ordered to make rectification, warned and fined with all unlawful income. Please refer to the announcement of the Company dated 28 November 2016 for details. Meanwhile, the Company has complied with regulatory requirements, and the income and fines in question were fully accounted for in profit or loss for 2015. Since then, the Company has fully complied with the requirements of the CSRC and Shanghai Securities Regulatory Bureau of the CSRC for rectifying unlawful securities business activities, continuously monitored legacy issued to ensure no more access from any external system.

## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## VI. PARTICULARS ABOUT STAFF OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

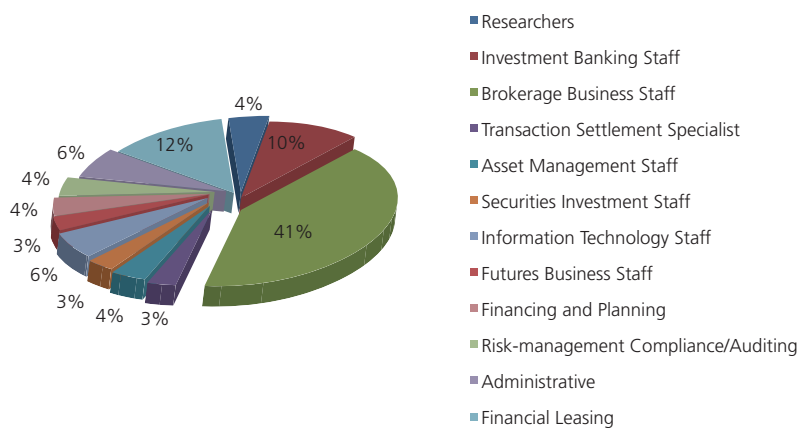
## (I) Particulars about Staff

Number of existing employees of the Company (persons)	5,653
Number of existing employees of major subsidiaries (persons)	4,738
Total number of existing employees (persons)	10,391
Total number of retired workers the Company and its major subsidiaries should bear costs for	27

## Composition of Specialisation

Category of Specialisation	Number of Person
Researchers	454
Investment Banking Staff	1,036
Brokerage Business Staff	4,255
Transaction Settlement Specialist	338
Asset Management Staff	408
Securities Investment Staff	368
Information Technology Staff	617
Futures Business Staff	273
Financing and Planning	377
Risk-management Compliance/Auditing	415
Administrative	626
Financial Leasing	1,224
<b>Total</b>	<b>10,391</b>

## Composition of Specialisation

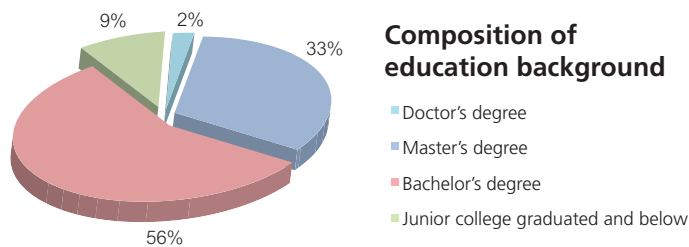




## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### Education Background

Highest Level of Education Attained	Number of Persons
Doctor's degree	160
Master's degree	3,424
Bachelor's degree	5,821
Junior college graduated and below	986
<b>Total</b>	<b>10,391</b>



### (II) Remuneration Policies

As at the end of the Reporting Period, the Group had 10,391 employees, of whom 5,653 were from the Company, and 4,738 were from subsidiaries.

The Company emphasises talent attraction, motivation, training and use, and has established a series of remuneration system which are consistent with the practical situation of the Company. We implement a remuneration system under which remunerations are determined based on the market levels and the individual performance appraisal results. The remuneration package generally comprises fixed salary, performance-pay, and benefits. Under the relevant laws and regulations, the Company enters into a labour contract and establishes employment relationship with each of its employees. A labour contract contains the provisions relating to contract term, working hours, rest and vacation, labour remuneration and insurance benefits, labour protection and conditions, as well as modification and termination of the contract. The Company purchases various social insurance policies (pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and establishes housing funds for its employees, and makes social insurance and housing funds contributions in full in accordance with applicable regulations. Meanwhile, the Company also established a corporate annuity system which provides supplemental pension protection for employees in accordance with applicable regulations.



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### (III) Training Plans

In 2018, the Company relied on Haitong Wealth Management Academy for training and built a training system to meet its development needs by establishing a training ecosphere focused on curriculum system, lecturer system and operational system, thereby achieving a virtuous cycle of training. The Company continuously satisfied the employees' needs for training and development by carrying out concrete work on aspects ranging from system improvement, development of a curriculum system, training of teachers, establishment of an online learning platform, and implementation of training projects to the operation of learning activities, etc.

In 2018, the Company further improved its multilevel, diversified and full coverage training system and preliminarily established a three-level organisational structure for training management of the head company, subsidiaries/departments and operating divisions, holding 705 training projects of all kinds in total. The Company implemented the "Spark Plan", "Prairie Fire Plan" and "Lighthouse Plan" on reserve cadres, new cadres, and unit leaders, respectively. The Company orderly carried out projects such as training of the international talent reserve, the "Dandelion Plan", orientation of new employees and special human resources training sessions, effectively supporting key personnel training and development of key businesses. Online training became a crucial method and tool to support training reinforcement for all departments and push business forward, while secondment training effectively fulfilled the professional and personalised training needs of core employees. The Company continued to carry out diverse and content-rich training activities such as Haitong Wealth Lecture Hall and Yun Academy, so as to fully mobilise employees' enthusiasm and participation in trainings, further enhancing the trinity platform of The Haitong Wealth Management Academy and maintaining its leading position in the industry.

### (IV) Particulars about Labour Outsourcing

Total working hours involved in labour outsourcing	840,130.7 hours
Total compensation paid for labour outsourcing	RMB38,909.5 thousand

## VII. OTHERS

### Information of Commissioning Brokers Engaging in Soliciting Customers and Servicing Customers

Since its acquisition of securities brokerage qualification in 2009, the Company has strictly and intensively managed securities brokers in accordance with inspection opinions and internal systems regulated in the Interim Provisions on the Administration of Securities Brokers ([2009] No. 2 CSRC) and On-site Inspection Opinion on Securities Broker System (Hu Zheng Jian Ji Gou Zi [2009] No. 302). Through the improvement of rules and regulations, internal control mechanisms, improving and supporting system and internal training, the occupational practice of securities brokers is further regulated and customers' legal rights and interests are safeguarded. As at the end of the Reporting Period, the Company has already had 269 securities business departments with 5,452 securities brokers, among which, 5,372 securities brokers have completed registration in the Securities Association of China.



## SECTION VIII DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Securities brokers engaging in soliciting customers and servicing customers authorised by the Company are affiliated with the securities business department directly and have to comply with the brokers' codes of conduct as well as the Company's regulations and rules. Customers can go through and check brokers' occupational registration information through ways such as visiting the Company's website, checking on-site information disclosed by the business department and calling 95553, the unified customer service hotline. The Company has established a risk monitoring platform to monitor, give early warning and track the transaction of broker's customers so as to effectively control brokerage risks. As the chief management officer, the director of the business department is comprehensively and specifically in charge of the management of its own department's brokers and is subject to the management, coordination, supervision and inspection of the corporate headquarter. Securities business department will pay a return visit to customers that the securities brokers have solicited and served on a regular basis to understand the particulars of broker's practice through personal interviews, phone calls, letters or other ways. In 2018, the Company continued to reinforce training for securities brokers on compliant business practice and standardised practice management.

## SECTION IX CORPORATE GOVERNANCE

### I. DESCRIPTION OF CORPORATE GOVERNANCE

#### (I) Overview of Corporate Governance

As a public company listed on both Mainland China and Hong Kong, the Company operates in strict compliance with laws, regulations and regulatory requirements in the places where the shares of the Company are listed, and is dedicated to maintain and improve its good market image. Pursuant to the Company Law, the Securities Law, relevant regulations of the CSRC, the Hong Kong Listing Rules and other relevant regulations, the Company has been continuously improving its corporate governance structure and has further established its sound compliance and risk management system and internal control management mechanism. The Company has also formed a corporate governance structure under which the general meeting, the Board, the Supervisory Committee and the management are separated from each other and can check and balance each other, which enables all levels to perform their respective duties and obligations within their respective responsibilities and powers and ensures the standardised operations of the Company, and the scientific, standardised and transparent corporate governance. The procedures and regulations for convening and holding the Company's general meetings, Board meetings and meetings of the Supervisory Committee and the voting mechanisms with respect thereto are legal and valid, with information disclosed in a true, accurate, complete, timely and fair manner. The Company has, strictly in compliance with relevant provisions of the Corporate Insider Registration System, strengthened the management of the Company's inside information and well organised the work of insider registration, with professional management of investor relations.

During the Reporting Period, according to the Company Law, Guidelines for the Articles of Association of Listed Companies, Management Measures on Compliance of Securities Companies and Securities Investment Fund Management Companies and the actual conditions of the Company, the Company has amended the Articles of Association, Rules of Procedure for Board Meetings of the Company and Rules of Procedure for the Supervisory Committee of the Company. The main content of the amendments is to specify relevant regulatory requirements of compliance management in the Articles of Association. These requirements include duties of the Board, the Supervisory Committee and senior management relating to compliance management as well as eligibility for appointment, appointment and dismissal procedures, and responsibilities of the Chief Compliance Officer. The amendments have been considered and approved by the general meeting of the Company, and have also been approved by regulatory authorities, and have taken effect since 23 April 2018.

During the Reporting Period, the Company has strictly complied with all the provisions of the Code and has satisfied the majority of the recommended best practice provisions therein.

During the Reporting Period, the Company convened 30 meetings in total, including 3 general meetings, 7 meetings of the Board, 4 meetings of the Supervisory Committee, 2 annual report work meetings of the independent non-executive Directors, 5 meetings of the Audit Committee, 2 meetings of the Nomination, Remuneration and Assessment Committee, 4 meetings of the Development Strategy and Investment Management Committee and 3 meetings of the Compliance and Risk Control Committee.



## SECTION IX CORPORATE GOVERNANCE

### (II) Formulation and Implementation of the Insider Management System

During the Reporting Period, in major events such as the preparation of periodic reports, the Company, as required by the Insider Registration System, performed well in inside information management and insider registration, and truly and completely recorded the list of all insiders involved in the reporting, delivery, preparation, auditing and disclosure before publication of the inside information as well as the files concerning the contents of the inside information known by the insider and the timing thereof to facilitate enquiries made by the Company and relevant regulatory authorities. During the Reporting Period, no violation of the Insider Registration System by the Company has occurred and the said system was well implemented.

### (III) Corporate Governance Policies and Related Duties of the Board

The Company is in strict compliance with the Hong Kong Listing Rules, and adopts all principles as set out in the Code as its corporate governance policies. The Board has the following duties in respect of corporate governance:

- (a) to formulate and review the corporate governance policies and practices of the Company;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the policies and practices of the Company for the compliance with legal and regulatory requirements;
- (d) to formulate, review and supervise the code of conduct and compliance manual (if any) of the employees and Directors; and
- (e) to review the Company's compliance with the Code and the disclosure in Corporate Governance Report.

## II. BRIEFING OF THE GENERAL MEETINGS

<b>Session of the meeting</b>	<b>Date of the meeting</b>	<b>Query index of the designated website for proposals disclosure</b>	<b>Disclosure date of proposals</b>
2018 First extraordinary general meeting	1 March 2018	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	2 March 2018 1 March 2018
2017 Annual general meeting	21 June 2018	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	22 June 2018 21 June 2018
2018 Second extraordinary general meeting	5 December 2018	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	6 December 2018 5 December 2018

## SECTION IX CORPORATE GOVERNANCE

### Briefing of the general meetings

During the Reporting Period, on 1 March 2018, the Company held the 2018 first extraordinary general meeting at Pine City Hotel in Shanghai and 2 proposals were considered and approved, including: 1. the proposal regarding the renewal of engagement of BDO China Shu Lun Pan Certified Public Accountants LLP; 2. the proposal regarding proposed amendments to the Articles of Association, the Rules of Procedure for Board Meetings and the Rules of Procedure for the Supervisory Committee of the Company. In particular, the proposal numbered 1 was an ordinary proposal, while the proposal numbered 2 was a special proposal. All of the above proposals were considered and approved. Relevant poll voting results were published on the websites of the SSE (<http://www.sse.com.cn>), the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.htsec.com>) on the day of the relevant meeting, and published on China Securities Journal, Shanghai Securities News and Securities Times on 2 March 2018.

On 21 June 2018, the Company held the 2017 annual general meeting at Hope Hotel in Shanghai and 17 proposals were considered, including: 1. the Report of the Board of Directors of the Company for the year 2017; 2. the Report of the Supervisory Committee of the Company for the year 2017; 3. the proposal regarding consideration of the annual report of the Company for the year 2017; 4. the final accounts report of the Company for the year 2017; 5. the profit distribution proposal of the Company for the year 2017; 6. the proposal regarding the renewal of engagement of accounting firms; 7. the proposal regarding asset allocation of equity and non-equity investments of the Company; 8. the proposal regarding daily related party transactions of the Company for the year 2018; 9. the proposal regarding advising the general meeting to grant a general mandate to the Board to authorise, allot or issue A Shares and/or H Shares; 10. the proposal regarding the compliance of the Company with conditions of the non-public issuance of A shares; 11. the proposal regarding the plan of the non-public issuance of A shares of the Company; 12. the proposal regarding the proposal of the non-public issuance of A shares of the Company; 13. the proposal regarding a feasibility report on the use of proceeds raised from the non-public issuance of A shares of the Company; 14. the proposal regarding the special report and audit report on the use of proceeds from previous fundraising activities; 15. the proposal regarding the dilution of current returns as a result of the non-public issuance of A shares of the Company and remedial measures; 16. the proposal regarding advising the general meeting to authorise the Board and the delegation by the Board to the management personnel to deal with matters relating to the non-public issuance of A shares of the Company; 17. the proposal regarding the shareholders' return plan for the three years from 2018 to 2020 of the Company. In particular, proposals numbered 1 to 8, 15 and 17 were ordinary proposals, while proposals numbered 9 to 14, 16 were special proposals. All of the above proposals were considered and approved. Relevant poll voting results were published on the websites of the SSE (<http://www.sse.com.cn>), the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.htsec.com>) on the day of the relevant meeting, and published on China Securities Journal, Shanghai Securities News and Securities Times on 22 June 2018.



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On 5 December 2018, the Company held the 2018 second extraordinary general meeting at Pine City Hotel in Shanghai and 1 proposal was considered and approved: the proposal regarding extension of the authorisation period for the matters related to the overseas listing of Haitong UniTrust International Leasing Co., Ltd. The proposal was an ordinary proposal. The proposal was published on the websites of the SSE (<http://www.sse.com.cn>), the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.htsec.com>) on the day of the meeting, and published on China Securities Journal, Shanghai Securities News and Securities Times on 6 December 2018.

### III. PERFORMANCE OF DUTIES BY DIRECTORS

The Board exercises the powers and duties specified in the Articles of Association, and reports its work to implements proposals of and is accountable to the general meeting in the best interest of the Company and the shareholders.

Profiles of the Directors as at the date of this Report are set out in “Major Work Experience” under “Section VIII PARTICULARS ABOUT DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES” of this Report. None of the Directors, the Supervisors or the senior management has any relationship with each other (including financial, business, kinship or other material or connected relations). The Board is structurally scientific, and each Director has adequate knowledge, experience and capacity relating to the business operations and developments of the Group. All Directors are well aware of their joint and several responsibilities to the shareholders.

Since the listing of the Company, the Board has always complied with the requirement of the Hong Kong Listing Rules on appointment of at least three independent non-executive Directors, who shall jointly account for at least one third of the members of the Board. Five independent non-executive Directors of the Company are fully qualified as specified in Rules 3.10(1) and (2), and Rule 3.10(A) 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 all independent non-executive Directors fulfil the requirement of independence as specified in the Hong Kong Listing Rules.

#### (I) Attendances of Directors at Board Meetings and General Meetings

According to the Articles of Association, meetings of the Board shall be convened by the chairman at least four times a year. Notice of a regular meeting of the Board shall be issued at least 14 days prior to the meeting and shall include the date, venue, duration, reasons, proposals for discussion and the date of issuance of the notice.

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A meeting of the Board shall be held only when over half of the members are present. Save as otherwise specified in the Articles of Association, proposals made by the Board shall be passed by more than half of all members. If any Director has connection with the enterprise involved in the proposals made at a meeting of the Board, the said Director shall abstain from voting on the said proposal for himself or on behalf of other Directors. Such meetings of the Board may be held when more than half of the non-connected Directors are present. The proposals made at the meeting of the Board shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the matter shall be submitted to the general meeting for consideration. Meetings of the Board shall be held on-site in principle. If necessary, extraordinary meetings of the Board may be held via video, telephone or facsimile, or be held on-site and by other means simultaneously. A Director may attend the meeting of the Board in person or appoint another Director in writing to attend the meeting on his/her behalf.

Name of Director	Independent director or not	Attendance at the Board meetings						Attendance at the general meetings	
		Number of attendances as required during the year	Number of attendances in person	Number of attendances by correspondence	Number of attendances by proxy	Number of absences	Absence from two consecutive meetings or not	Number of attendances at the extraordinary general meetings during the year	Number of attendances at general meetings
Zhou Jie	No	7	4	3	0	0	No	3	3
Qu Qiuping	No	7	4	3	0	0	No	3	1
Yu Liping	No	7	3	3	1	0	No	3	3
Chen Bin	No	7	3	3	1	0	No	3	3
Xu Jianguo	No	7	3	3	1	0	No	3	1
Wu Yuezhou	No	7	4	3	0	0	No	3	2
Zhang Xinmei	No	7	4	3	0	0	No	3	2
Shen Tiedong	No	7	4	3	0	0	No	3	3
Liu Cheeming	Yes	7	4	3	0	0	No	3	3
Xiao Suining	Yes	7	4	3	0	0	No	3	2
Feng Lun	Yes	7	2	3	2	0	No	3	0
Zhang Ming	Yes	7	4	3	0	0	No	3	3
Lam Lee G.	Yes	7	4	3	0	0	No	3	0



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Description of absence from two consecutive Board meetings

✓ Not applicable

Number of Board meetings convened during the year	7
Including: Number of meetings held on-site	1
Number of meetings held via correspondence	3
Number of meetings held on-site and via correspondence simultaneously	3

The voting results of the deliberation on the proposals at the Board meeting were agreed by all Directors, with no waiver or opposition.

During the Reporting Period, the Board convened 7 meetings in total, details of which are as follows:

1. On 12 January 2018, the 28th meeting of the sixth session of the Board was held via correspondence, at which the Board considered and approved the Proposal regarding the Increase in Registered Capital for Haitong Resources by Haitong Futures, the Proposal on Convening of the 2018 First Extraordinary General Meeting of the Company.
2. On 27 March 2018, the 29th meeting of the sixth session of the Board was held on-site, at which the Board considered and approved the Annual Report of the Company for the Year 2017, the Final Accounts Report of the Company for the Year 2017, the Proposal regarding Changes to Accounting Policies of the Company, the Profit Distribution Proposal of the Company for the Year 2017, the Internal Control Evaluation Report of the Company for the Year 2017, the Compliance Report of the Company for the Year 2017, the Proposal regarding the Renewal of Engagement of Accounting Firms, the Report on Performance of Duties of the Audit Committee under the Board of Directors for the Year 2017, the Report of the Board of Directors of the Company for the Year 2017, the Work Report of the Independent Directors for the Year 2017, the Corporate Social Responsibility Report of the Company for the Year 2017, the Proposal regarding Provision of Joint and Several Guarantee for Offshore Debt Financing by Wholly-owned Offshore Subsidiary, the Proposal regarding Amendments to Liquidity Risk Management Strategies (Tolerance and Indicator Limits) of the Company in 2018, the Proposal regarding Asset Allocation of Equity and Non-Equity Investments of the Company, the Proposal regarding the Projected Daily Related Party Transactions of the Company for the Year 2018, the Proposal regarding Advising the General Meeting to Grant a General Mandate to the Board to Authorise, Allot or Issue A Shares and/or H Shares, the Proposal regarding the Authorisation by the Board of the Company to the Chairman of the Board of the Company, the Proposal regarding the Appointment of the Chief Financial Officer of the Company, the Proposal regarding the Results of Assessment on the Company's Management in 2017, the Proposal regarding the Appraisal and Incentive Plans for Senior Management of the Company in 2018, the Proposal regarding Purchase of Office Building in Shenzhen by the Company, the Proposal regarding Commencing Construction of the Golden Bund Project (金外灘項目), and the Proposal on Convening of the Annual General Meeting of the Company for the Year 2017.



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3. On 26 April 2018, the 30th meeting of the sixth session of the Board was held on-site and by means of teleconference simultaneously, at which the Board considered and approved the First Quarterly Report of the Company for the Year 2018, the Three-year Development Plan of the Company for 2018-2020, the Proposal regarding the Compliance of the Company with Conditions of the Non-public Issuance of A Shares, the Proposal regarding the Plan of the Non-public Issuance of A Shares of the Company, the Proposal regarding the Proposal of the Non-public Issuance of A Shares of the Company, the Proposal regarding a Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares of the Company, the Proposal regarding the Special Report and Audit Report on the Use of Proceeds from Previous Fundraising Activities, the Proposal regarding the Dilution of Current Returns as a result of the Non-public Issuance of A Shares of the Company and Remedial Measures, the Proposal regarding Advising the General Meeting to Authorise the Board and the Delegation by the Board to the Management Personnel to Deal with Matters relating to the Non-public Issuance of A Shares of the Company, and the Proposal regarding the Shareholders' Return Plan for the Three Years from 2018 to 2020.
4. On 29 August 2018, the 31st meeting of the sixth session of the Board was held on-site and by means of teleconference simultaneously, at which the Board considered and approved the Interim Report of the Company for the Year 2018, the Proposal regarding Provision of Joint and Several Guarantee for Offshore Debt Financing to Wholly-owned Offshore Subsidiary, the Proposal regarding Amendments to Management Measures for Self-owned Funds of Haitong Securities Co., Ltd., the Proposal regarding Amendments to the Management Measures for Raised Funds of Haitong Securities Co., Ltd., and the Proposal regarding Adjustments to the Organisational Structure of the Company.
5. On 19 October 2018, the 32nd meeting of the sixth session of the Board was held via correspondence, at which the Board considered and approved the Authorisation regarding Extension of the Authorisation Period for the Matters related to the Overseas Listing of Haitong UniTrust International Leasing Co., Ltd. and the Proposal on Convening of the 2018 Second Extraordinary General Meeting of the Company.
6. On 29 October 2018, the 33rd meeting of the sixth session of the Board was held on-site and by means of teleconference simultaneously, at which the Board considered and approved the Third Quarterly Report of the Company for the Year 2018, the Proposal regarding the Delegation by the Board of the Company to the Management Personnel to Commence Work relating to the Assessment on Compliance Management Effectiveness, and the Proposal regarding Amendments to Management Measures for Comprehensive Risk of Haitong Securities Co., Ltd.
7. On 20 November 2018, the 34th meeting of the sixth session of the Board was held via correspondence, at which the Board considered and approved the Proposal regarding Commencing Construction of the Zhangjiang Base Project (張江基地項目).



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### (II) Independent Non-executive Directors' Objections to Relevant Matters of the Company

During the Reporting Period, independent non-executive Directors of the Company had no objections to proposals of the Board and other proposals. Please refer to “Attendances of Directors at Board Meetings and General Meetings” of this section for attendances of independent non-executive Directors at general meetings, Board meetings and meetings of special committees. Please refer to the Work Report of the Independent non-executive Directors for the Year 2018 of Haitong Securities Co., Ltd. to be disclosed by the Company on the website of the SSE on 27 March 2019 for the details of the performance of duties of independent non-executive Directors.

### (III) Others

#### *Powers and Duties of the Board and the Management*

Powers and duties of the Board and the management have been specified in the Articles of Association to ensure adequate check and balance mechanism for the sound corporate governance and internal control.

The Board is responsible for deciding the Company's operations and investment plans, determining the internal management structure of the Company, establishing the basic management system of the Company, and resolving other major business and administrative issues of the Company and supervise the management.

The management of the Company, under the leadership of the general manager (who is also an executive Director), is responsible for implementing various proposals made by the Board and organising daily operation and management of the Company.

#### **1. Chairman and General Manager**

The Chairman and the general manager (i.e. chief executive officer under the Hong Kong Listing Rules) of the Company are held by different individuals to secure the independence of their respective duties, accountabilities and balanced distribution of rights and authorisations. Mr. Zhou Jie serves as the Chairman and Mr. Qu Qiuping serves as the general manager. The Rules of Procedure for Board Meetings and Terms of Reference for the General Manager considered and approved by the Board clearly define the duties of the Chairman and the general manager respectively.

Chairman Mr. Zhou Jie is responsible for leading the Board to determine the overall development strategy of the Company and ensuring the Board's effective operation, performance of its statutory duties and timely discussion of all important and appropriate issues. The Chairman has to ensure that the Company formulates sound corporate governance practices and procedures and the Board acts for the best interest of the Company and all shareholders. General Manager Mr. Qu Qiuping is mainly responsible for daily operation and management of the Company, including organising and implementing the proposals of the Board and daily decision making.

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### 2. *Directors' Appointment and Re-election*

According to the Articles of Association, non-employee representative Directors shall be elected or replaced by the general meetings, and employee representative Directors shall be elected or replaced by the employee representatives meeting. A Director shall serve a term of office no longer than three years and is eligible for re-election. The Company has implemented a set of effective procedures for appointing new Directors. A list of candidates for Directors may be proposed by the Board as per the number of the Directors to be elected as specified in the Articles of Association. Candidates for Directors may also be nominated by shareholders severally or jointly holding more than 3% of the Company's shares and shall be elected at the general meetings or at the employee representatives meeting. For specific procedures for shareholders to nominate candidates for Directors, the Company has prepared the Procedures for Shareholders' Nomination of Candidates for Directors and has published the same on its website.

### 3. *Terms of Office of Non-executive Directors*

Non-executive Directors of the Company are all elected by the general meetings, with terms of office of three years, which are renewable upon re-election and reappointment.

### 4. *Directors' Remunerations*

For details, please refer to "III. Remunerations of Directors, Supervisors and Senior Management" in "Section VIII Particulars about Directors, Supervisors, Senior Management and Employees" of this report.

### 5. *Directors' Trainings*

The Company highly emphasises the continuous trainings for Directors to ensure that Directors have adequate knowledge of the Company's operations and businesses and their duties imposed by the CSRC, the SSE, the Hong Kong Stock Exchange, the Articles of Association and other relevant laws and regulations. During the Reporting Period, apart from participating in the regular trainings organised by local regulatory authorities to complete continued trainings as required, Directors also receive from the office of the Board of the Company regularly compiles and delivers Newsletter of Directors and Supervisors (12 issues in total for 2018) and Regulations of Securities Market and Case Analysis (4 issues in total for 2018). All Directors (including Directors Zhou Jie and Qu Qiuping, Yu Liping, Chen Bin, Wu Yuezhou, Xu Jianguo, Zhang Xinmei and Shen Tiedong; independent non-executive Directors Liu Cheeming, Xiao Suining, Feng Lun, Zhang Ming and Lam Lee G.) received day-to-day written training in 2018. These trainings allowed the Directors to be timely informed of the latest policies, regulations and classic cases. The Company has also built multi-level information communication mechanisms and set up an information exchange platform to strengthen information sharing and exchanging among Directors, Supervisors and the management and improved Directors' duty performance capability. At the same time, the Company provided all Directors the Training on the New Accounting Standards for Business Enterprises – Introduction of Effects on the Accounting Standards from New Financial Instruments and Training on New Regulatory Policies in Hong Kong – Hong Kong Listing Rules Updates related to Director's Responsibilities at the



## SECTION IX CORPORATE GOVERNANCE

30th and 31st meetings of the sixth session of the Board held on 26 April 2018 and 29 August 2018, respectively. Apart from that, other trainings participated by the Directors are specified as follows:

Name of Director	Date	Duration	Organiser	Content	Place of training
Xu Jianguo	24 December 2018 – 25 December 2018	2 days	Shanghai Securities Regulatory Bureau	Third training on directors and supervisors	Shanghai
Zhang Xinmei	5 June 2018 – 7 June 2018	3 days	Shanghai Securities Regulatory Bureau	Continuing education for senior accountants	Shanghai
	24 December 2018 – 25 December 2018	2 days	Shanghai Securities Regulatory Bureau	Third training on directors and supervisors	Shanghai
Liu Cheeming	27 February 2018	1 day	Norton Rose Fulbright	The Language of Fin Tech (luncheon)	Norton Rose Fulbright office
	7 March 2018	1 day	S&P Global Ratings	New Licensing Regime for TCSP	Live Webcast
	6 April 2018 – 7 April 2018	2 days	KPMG	KPMG INED Forum	The Hong Kong Bankers Club
	17 September 2018 – 18 September 2018	2 days	KPMG	KPMG INED Forum	The Hong Kong Bankers Club
	3 October 2018 – 9 October 2018	6.5 days	HKMA	HKMA Conference for INED	IFC Mall, Central
	31 October 2018 – 1 November 2018	1.25 days	Platinum Holdings	Basel III	LHT Tower, Central
	17 December 2018 – 18 December 2018	1.5 days	Charlton	HK Tech Listing	LHT Tower, Central
	27 December 2018	0.75 days	Platinum Holdings	AML	LHT Tower, Central
Lam Lee G.	30 January 2018	0.5 hours	China Shandong Hi-Speed Financial Group Limited By Li & Partners	Requirement of allocating sufficient time relevant to Common Law and Rule 3.08 of the Listing Rules	Read documents
				Requirements, the Corporate Governance Code; continuing obligations of (the Board or) the Company (as a whole) in connected transactions; individual duties of Directors	
	31 January 2018	1 hour	CSI Properties Limited	External Circular No.2/2018/Issued by the Companies Registry to implement the requirement under the Companies (Amendment) Ordinance 2018 that companies are required to keep a significant controllers register	Read documents (provided by the Companies Registry)
	7 February 2018	0.5 hours	Tianda Pharmaceuticals Limited By Fair Wind Secretarial Services Limited	External Circular No.2/2018/Issued by the Companies Registry to implement the requirement under the Companies (Amendment) Ordinance 2018 that companies are required to keep a significant controllers register	Read documents (provided by the Companies Registry)

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Name of Director	Date	Duration	Organiser	Content	Place of training
	13 February 2018	0.5 hours	Kidsland International Holdings Limited By Dentons Beijing office	China announces much anticipated new rule "Beneficial Owner"	Read document (online webcast)
	14 February 2018	0.5 hours	CSI Properties Limited	"Director's Duties during the Initial Public Offering"	Read documents (provided by Hong Kong Exchanges)
	21 February 2018	0.5 hours	CSI Properties Limited	Note to subscribers for the Amendments to the Listing Rules Update No. 118, Amendments to the Main Board Listing Rules	Read documents (provided by Hong Kong Exchanges)
	4 April 2018	1 hour	Macquarie Infrastructure and Real Assets	AWB Appropriate Workplace Behaviour	Online
	13 April 2018	0.5 hours	Sunwah Kingsway Capital Holdings Limited	SFC Enforcement News SFC Seeks Court Orders to Disqualify Former Senior Executives of Far East Holdings International Limited SFC Commences MMT Proceedings against Fujikon Industrial Holdings Limited and its Senior Executives for Late Disclosure of Inside Information	Read documents (provided by the Securities and Futures Commission)
	20 April 2018	0.5 hours	Sunwah Kingsway Capital Holdings Limited	HKEx News Release Compliance with the disclosure and shareholder approval requirements	Read documents (provided by Hong Kong Exchanges)
	23 May 2018	1 hour	Hsin Chong Group Holdings Limited By Michael Li & Co.	Director Training	
	23 May 2018	0.5 hours	Sunwah Kingsway Capital Holdings Limited	SFC Enforcement News	Read documents (provided by the Securities and Futures Commission)
	26 May 2018	3 hours	LexOmnibus/Donald Lai, Director, FSDC – Enforcement Division (Investigation), SFC	CPD Training/Duties and Liabilities of Responsible Officers CPD Training Certificate Programme (3 CPD pts)	3 CPD pts 0930-1245
	30 May 2018	1 hour	Elife Holdings Limited By Loong & Yeung Solicitors	Director training plans; latest amendments to the Listing Rules by HKEx; HKEx review contents on annual reports	Read documents
	4 June 2018	0.5 hours	Sunwah Kingsway Capital Holdings Limited	SFC outlines regulatory approach to corporate misconduct in latest Regulatory Bulletin	Read documents (provided by the Securities and Futures Commission)
	4 June 2018	0.5 hours	Sunwah Kingsway Capital Holdings Limited	form_17.pdf/SEHK review on Financial Statements	Read documents (provided by Hong Kong Exchanges)



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Name of Director	Date	Duration	Organiser	Content	Place of training
	13 June 2018	3 hours	LexOmnibus/Guo Sun Lee, Partner, King & Wood Mallesons	CPD Training Certificate Programme (3 CPD pts)	3 CPD pts 0430-1745
	25 June 2018	0.5 hours	CSI Properties Limited By Mayer Brown JSM	Introduction to Real Estate Funds Overview of Real Estate Fund Products and Strategies Fund vehicles Typical Private Equity Real Estate Fund Structure	Read documents
	29 June 2018	0.5 hours	Sunwah Kingsway Capital Holdings Limited	Director Training SFC Enforcement News SFC Commences MMT Proceedings against Former Chairman and CEO of China Forestry for Alleged Disclosure of False or Misleading Information and Alleged Insider Trading Committed by the Latter	Read documents (provided by the Securities and Futures Commission)
	7 July 2018	1 hours	Hsin Chong Group Holdings Limited	1. Change of Mindset of Corporate Owners; 2. the Role of Directors; 3. Appointment of Independent Non-executive Directors; 4. Use of Listing Proceeds; 5. Internal Control; 6. Profit Decline and Other Developments after Listing, Trading Restrictions; 7. Useful Tips.	Read documents (provided by the Securities and Futures Commission)
	12 July 2018	3 hours	LexOmnibus	CPD Training Certificate Programme (3 CPD pts)	3 CPD pts 1430 – 1745
	20 July 2018	3 hours	LexOmnibus	CPD Training Certificate Programme (3 CPD pts)	3 CPD pts
	30 July 2018	0.5 hours	Sunwah Kingsway Capital Holdings Limited	HKEx News Release 20 July 2018	Read documents (provided by Hong Kong Exchanges)
	30 July 2018	2 hours	Sunwah Kingsway Capital Holdings Limited	Announcement of "Consultation Conclusions on Review of the Corporate Governance Code and Related Listing Rules" as well as "Guidance for Boards and Directors"	Read documents (provided by Hong Kong Exchanges)
	30 July 2018	1 hour	Tianda Pharmaceuticals Limited	Announcement of "Consultation Conclusions on Review of the Corporate Governance Code and Related Listing Rules" as well as "Guidance for Boards and Directors"	Read documents (provided by Hong Kong Exchanges)
	31 July 2018	1 hour	China Shandong Hi-Speed Financial Group Limited	Guidance for Boards and Directors – Compliance Updates – Hong Kong Listing Rules Updates related to Directors' Duties	Read documents (provided by Hong Kong Exchanges)
	29 August 2018	1 hour	Huarong Investment (2277.HK) By Chiu & Partners	Director Training related to Connected Transactions	Read documents

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Name of Director	Date	Duration	Organiser	Content	Place of training
	6 September 2018	1 hour	Mingfa Group (International) Company Limited By Paul Hastings	Directors Responsibility Training	In person
	13 September 2018	1 hour	Macquarie Infrastructure and Real Assets	Global Competition Training Business Improvement and Effectiveness, Communication, Compliance, Industry & Market Knowledge, Management & Leadership, RMG Compliance	Online
	20 September 2018	1.5 hours	Hong Kong Institute of Directors	2018 Director Seminar Topic of Speech: Excellent Leadership through Composure and Adaptability	In person 1.5 CPD pts
	9 October 2018	1 hour	Macquarie Infrastructure and Real Assets	Mandatory Global Competition Training/ Global Business Resilience Training (covers Business Improvement and Effectiveness, Communication, Compliance, Industry & Market Knowledge, Management & Leadership, RMG Compliance etc.)	Online
	25 October 2018	1 hour	Mingfa Group (International) Company Limited	Review the Corporate Governance Code and relevant provisions of the Listing Rules	Read documents (provided by Hong Kong Exchanges)
	7 November 2018	45 minutes	Hsin Chong Group Holdings Limited	Third Director Training in 2018 Plan/Corporate Governance – The Role of Directors and the Company Secretary	Read documents (provided by Hong Kong Exchanges)
	28 November 2018	1 hour	China Shandong Hi-Speed Financial Group Limited By Reed Smith Richards Butler – solicitor Anthony Woo	Director Training Training content: connected transaction, law enforcement trends of the SFC	Read documents



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### IV. DETAILS OF ANY OBJECTION MATTERS IN SIGNIFICANT OPINIONS AND SUGGESTIONS PROPOSED BY THE SPECIAL COMMITTEES UNDER THE BOARD WHEN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD SHOULD BE DISCLOSED

#### (I) Special Committees of the Board and their Members

The sixth session of the Board of the Company sets up four special committees, with members set out as follows:

1. Development Strategy and Investment Management Committee: Zhou Jie (Chairman), Liu Cheeming, Xiao Suining, Yu Liping, Chen Bin, Xu Jianguo, Lam Lee G.
2. Compliance and Risk Control Committee: Xiao Suining (Chairman), Liu Cheeming, Feng Lun, Qu Qiuping, Chen Bin, Zhang Xinmei
3. Nomination, Remuneration and Assessment Committee: Liu Cheeming (Chairman), Xiao Suining, Zhang Ming, Yu Liping, Wu Yuezhou, Shen Tiedong, Lam Lee G.
4. Audit Committee: Zhang Ming (Chairman), Liu Cheeming, Feng Lun, Zhang Xinmei, Xu Jianguo, Wu Yuezhou, Lam Lee G.

#### (II) Duties of the Special Committees and their Meetings

##### 1. Compliance and Risk Control Committee

The primary duties of the Compliance and Risk Control Committee are to formulate compliance management policies for the Board to review according to laws, regulations and regulatory policies; to review and monitor scientificity, rationality, effectiveness and implementation of the compliance management system of the Company; to formulate principles of the risk management and define the boundary of the major risks for the Company; and to review and supervise the implementation of the internal control system formulated by the management and to direct relevant works based on the results thereof. For the specific duties of the Compliance and Risk Control Committee, please refer to the Terms of Reference of the Compliance and Risk Control Committee under the Board of Directors which was published on the websites of the Company and the Hong Kong Stock Exchange.



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During the Reporting Period, the Compliance and Risk Control Committee held three meetings in total, as specified below:

- The first meeting of the Compliance and Risk Control Committee in 2018 was convened on-site on 26 March 2018, at which the Internal Control Evaluation Report of the Company for the Year 2017, the Compliance Report of the Company for the Year 2017, the Risk Assessment Report of the Company for the Year 2017, and the Proposal regarding the Amendments to the Liquidity Risk Management Strategies (tolerance and indicator limits) of the Company for the Year 2018 were considered and approved.
- The second meeting of the Compliance and Risk Control Committee in 2018 was convened on-site and by means of teleconference simultaneously on 28 August 2018, at which the Interim Risk Assessment Report of the Company for the Year 2018 was considered and approved. In this meeting, the Committee also listened to the Working Report on Compliance Management of the Company for the First Half of 2018.
- The third meeting of the Compliance and Risk Control Committee in 2018 was convened via correspondence on 26 October 2018, at which the Proposal regarding the Delegation by the Board of the Company to the Management Personnel to Commence Work relating to the Assessment on Compliance Management Effectiveness and the Proposal regarding Amendments to Management Measures for Comprehensive Risk of Haitong Securities Co., Ltd. were considered and approved.

During the Reporting Period, meeting attendance of members of Compliance and Risk Control Committee is as follows:

<b>Name</b>	<b>Number of actual attendances/ number of attendances as required</b>
Xiao Suining	3/3
Liu Cheeming	3/3
Feng Lun	1/3
Qu Qiuping	3/3
Chen Bin	3/3
Zhang Xinmei	3/3



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### 2. *Audit Committee*

The primary duties of the Audit Committee are: to propose the appointment or change of the external audit institution and to approve the remuneration and appointment terms of the external audit institution; to ensure the objectivity and independence of the external audit institution and the effectiveness of the audit process; to audit the Company's financial information and disclosure thereof, and to review, where necessary, material connected transactions; to review the financial monitoring, internal control system and risk management system of the Company and its subsidiaries and branches from the perspectives of scientificity, rationality, effectiveness and implementation results; to discuss risk management and internal control system with the management to ensure that the management has performed its duties to set up effective systems; and to review financial and accounting policies and practices of the Group. The committee will also perform other duties assigned by the Board. For the specific duties of the Audit Committee, please refer to the Terms of Reference of the Audit Committee under the Board of Directors published on the websites of the Company and the Hong Kong Stock Exchange.

The Audit Committee convened meetings to consider relevant matters according to relevant provisions of the Terms of Reference of the Audit Committee under the Board of Directors and improved working efficiency as well as scientific decision-making. The Audit Committee carefully performed its duties by actively participating in the preparation, audit and disclosure of the annual financial reports according to Work Procedures for Annual Reports of the Audit Committee under the Board of Directors. The Audit Committee fully communicated with certified public accountants to jointly formulate audit project plans in 2018 for the Company. The audit work in 2018 of the Company was arranged under the guidance of the Audit Committee, which ensured the independence of the audit and the improvement of audit quality to safeguard the overall interest of the Company and its shareholders. The Audit Committee and its members, abiding by relevant laws and regulations, gave full play to the audit and supervision role by conducting work diligently, and served an important role in improving the corporate governance structure and audit quality. During the Reporting Period, the Audit Committee held five meetings in total, as specified below:

- The first working meeting for the 2017 annual report of the Audit Committee was convened on-site on 18 January 2018, and the main contents of the meeting were: learning from relevant documents from the regulatory authorities on dealing with annual report of 2017 of listing companies, listening to the Chief Financial Officer's brief financial report of 2017 of the Company (parent company), discussing with certified public accountants (BDO China and Deloitte) of the annual audit to formulate the annual audit work plans, and reviewing the (unaudited) financial statement of 2017 (of the parent company) prepared by the finance department of the Company and asking the Audit Committee to provide written opinions.

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- The second working meeting for the 2017 annual report of the Audit Committee was convened on-site on 26 March 2018, at which the Financial Report and Special Report of the Company (Audited or Reviewed Draft) for the Year 2017, the Proposal regarding Changes to Accounting Policies of the Company, Relevant Opinions of the Audit Committee under the Board of the Company on the Accounting Firm's Engagement in Audit Work for the Year, the Proposal regarding the Renewal of Engagement of Accounting Firms, the Proposal regarding Daily Related Party Transactions of the Company for the Year 2018, the Internal Control Evaluation Report of the Company for the Year 2017, and the Report on Performance of Duties of the Audit Committee under the Board of the Company for the Year 2017 were considered and approved. In this meeting, the Committee also listened to the Company's Report on Final Accounts for the Year 2017 and Financial Budget for the Year 2018 as well as the Communication Report related to Preliminary Audit Results for the Year 2017 by Accounting Firms, and the list of the latest related persons was also confirmed.
- The 2018 First Quarterly Report meeting of the Audit Committee was convened on 25 April 2018 via correspondence, at which the First Quarterly Report of the Company for the Year 2018 was considered and approved.
- The 2018 Interim Financial Report meeting of the Audit Committee was convened on-site on 28 August 2018, at which the Financial Report of the Company for the First Half of 2018 was considered and approved. In this meeting, the Committee also listened to the Statement on Financial Position for the First Half of 2018 of the Company and the Report to Independent Directors and the Audit Committee of the 2018 Interim Financial Report of Haitong Securities Co., Ltd., and the list of related persons of the Company was also confirmed.
- The 2018 Third Quarterly Report meeting of the Audit Committee was convened on 22 October 2018 via correspondence, at which the Third Quarterly Report of the Company for the Year 2018 was considered and approved.

<b>Name</b>	<b>Number of actual attendances/ number of attendances as required</b>
Zhang Ming	5/5
Liu Cheeming	5/5
Feng Lun	2/5
Zhang Xinmei	4/5
Xu Jianguo	4/5
Wu Yuezhou	4/5
Lam Lee G.	5/5



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### 3. *Development Strategy and Investment Management Committee*

The primary duties of the Development Strategy and Investment Management Committee are: to conduct studies and submit proposals regarding mid-to-long-term development strategies and planning of the Company; to study and propose suggestions to material plans on investment and financing which are required by the Articles of Association to be approved by the Board; to analyse the feasibility of and make suggestions to the major capital operation, asset operation and mergers and acquisitions and reorganisation which are required by the Articles of Association to be approved by the Board; to study and make suggestions to other major issues affecting the development of the Company; and to conduct inspection and supervision to the implementation of the above matters. Its duties also include other matters assigned by the Board.

During the Reporting Period, the Development Strategy and Investment Management Committee held four meetings in total, as specified below:

- The first meeting of the Development Strategy and Investment Management Committee in 2018 was convened via correspondence on 9 January 2018, at which the Proposal regarding the Increase in Registered Capital for Haitong Resources by Haitong Futures was considered and approved.
- The second meeting of the Development Strategy and Investment Management Committee in 2018 was convened on-site on 26 March 2018, at which the Proposal regarding Asset Allocation of Equity and Non-Equity Investments of the Company, the Proposal regarding Granting Mandate to the Chairman by the Board of Company, the Proposal regarding Purchase of an Office Building in Shenzhen by the Company, and the Proposal regarding Commencing Construction of the Golden Bund Project (金外灘項目) were considered and approved. In this meeting, the Committee also listened to the Report on Business Operations for the Year 2017 and Business Plan for the Year 2018 of the Company.
- The third meeting of the Development Strategy and Investment Management Committee in 2018 was convened via correspondence on 26 April 2018, at which the Proposal regarding the Compliance of the Company with Conditions of the Non-public Issuance of A Shares, the Proposal regarding the Plan of the Non-public Issuance of A Shares of the Company, the Proposal regarding the Proposal of the Non-public Issuance of A Shares of the Company, the Proposal regarding a Feasibility Report on the Use of Proceeds Raised from the Non-public Issuance of A Shares of the Company, the Proposal regarding the Special Report and Audit Report on the Use of Proceeds from Previous Fundraising Activities, the Proposal regarding the Dilution of Current Returns as a result of the Non-public Issuance of A Shares of the Company and Remedial Measures, the Proposal regarding Advising the General Meeting to Authorise the Board and the Delegation by the Board to the Management Personnel to Deal with Matters relating to the Non-public Issuance of A Shares of the Company in Their Sole Discretion, the Shareholders' Return Plan for the Three Years from 2018 to 2020, and the Three-year Development Plan of the Company for 2018-2020 were considered and approved.

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- The fourth meeting of the Development Strategy and Investment Management Committee in 2018 was convened via correspondence on 15 November 2018, at which the Proposal regarding Commencing Construction of the Zhangjiang Base Project (張江基地項目) was considered and approved.

<b>Name</b>	<b>Number of actual attendances/ number of attendances as required</b>
Zhou Jie	4/4
Liu Cheeming	4/4
Xiao Suining	4/4
Yu Liping	3/4
Chen Bin	4/4
Xu Jianguo	4/4
Lam Lee G.	4/4

#### 4. *Nomination, Remuneration and Assessment Committee*

The primary duties of the Nomination, Remuneration and Assessment Committee are: to study and make suggestions on criteria and procedure for selecting Directors and managers; to extensively identify qualified candidates for Directors and managers; to examine the qualifications of the candidates for Directors and managers and make suggestions; to review the structure, size and composition (including skills, knowledge and experience) of the Board, and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the general manager; to formulate remuneration policies that include but not limited to performance evaluation standards and procedure, major evaluation system, principal award and punishment scheme and system; to examine the fulfilment of the duties of the Directors and managers of the Company, evaluate their annual performance and make suggestions according to the annual audit result of the Audit Committee; to appraise the remuneration reform plan of the Company and approve the terms of the service contracts of the executive Directors and supervise the implementation of the Company's remuneration system. For the specific duties of the Nomination, Remuneration and Assessment Committee, the nomination and the performance appraisals of Directors and managers as well as the remuneration review procedures, please refer to the "Terms of Reference of the Nomination, Remuneration and Assessment Committee under the Board of Directors" published on the websites of the Company and the Hong Kong Stock Exchange.



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### *Policy on Board Diversity*

To carry out the requirements regarding board diversity in the Hong Kong Listing Rules and to ensure a more scientific and reasonable composition of the Board, the Company formulated the Policy on Board Diversity of Haitong Securities Co., Ltd., of which the contents include the objective, significance, policy statement, measurable goals, supervising and reporting, etc. The policy is published on the website of the Company. The Company recognises the importance of diversity of the board members to corporate governance and the board effectiveness. To realise a sustainable and balanced development, the Company believes that a diversified board enables the Company to reach its strategic goals and promote a sustainable development. When deciding the board member composition, the Company takes several elements into the consideration, including but not limited to skills, knowledge, experience, gender, age, culture, race and educational background. The Board of Directors sticks to the principle of meritocracy, and based on the daily business needs of the Company, in the nomination of the directors and fully considers the above mentioned goals and requirements. The Company confirms that the composition of the Board satisfies the requirements regarding board diversity in the Hong Kong Listing Rules as well as the policy on board diversity formulated by the Company.

### *Director Nomination Policy*

Pursuant to Article 139 of the Articles of Association, the means of nominating Directors and the procedure are: (i) Within the scope of the number of Directors stipulated in the Articles of Association and in accordance with the proposed number of Directors to be elected, the candidates may be nominated by the Board; (ii) The shareholder(s) individually or jointly holding more than 3% of the Company's shares may nominate candidate(s) for directorship, but such nomination shall be within the scope of the number of Directors stipulated in the Articles of Association and shall not exceed the total proposed number of Directors to be elected; (iii) A candidate for directorship shall make a written undertaking prior to the convening of the Company's shareholders' general meeting, confirming his acceptance of nomination and further undertake that he shall earnestly perform the Director's duties; (iv) The written notice of the intent to nominate a candidate for directorship and the written notice by such candidate of his willingness to be elected shall be given to the Company seven days prior to the date of the shareholders' general meeting appointed for such election; (v) The period allowed for the relevant nominator and the nominee to submit the aforesaid notices and documents (calculated from the next day after the notice of the shareholders' general meeting was issued) shall be no less than seven days.

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Pursuant to Article 10 of the “Terms of Reference of the Nomination, Remuneration and Assessment Committee under the Board of Directors”, the selection process of Directors and managers is as follows: (I) The Nomination Committee should actively communicate with relevant departments and study the Company’s demand for Directors and managers, and formulate written materials; (II) The Nomination Committee may search extensively for candidates for Directors and managers from the Company, its holding (associate) enterprises and the HR market; (III) Gather information about the occupation, academic qualifications, post title, detailed work experience and all the concurrent posts of the candidates and present such information in writing; (IV) Seek the nominees’ consent for nomination; otherwise, the nominees cannot be the candidates for Directors or managers; (V) Convene a Nomination Committee meeting to review the qualifications of the candidates on the criteria for Directors and managers; (VI) Make suggestion to the board of directors regarding the candidates for Directors and new managers and submit the relevant information to the board of directors one to two months prior to the election of new Directors and appointment of new managers; and (VII) Complete other follow-up work according to the decision and feedback from the board of directors.

During the Reporting Period, the Nomination, Remuneration and Assessment Committee convened two meetings in total, as specified below:

- The first meeting of the Nomination, Remuneration and Assessment Committee in 2018 was convened on-site on 26 March 2018, at which the Proposal regarding the Results of Assessment on the Company’s Management in 2017, the Proposal regarding the Appraisal and Incentive Plans for Senior Management of the Company in 2018, and the Proposal regarding the Appointment of the Chief Financial Officer of the Company were considered and approved. In this meeting, the Committee also listened to the Report on Business Operations for the Year 2017 and Business Plan for the Year 2018 of the Company as well as the Work Report of Professional Managers.
- The second meeting of Nomination, Remuneration and Assessment Committee in 2018 was convened via correspondence on 11 December 2018, at which the Proposal regarding the Proposal of Preliminary Candidates for the Appointment of the Deputy General Manager of Haitong Securities Co., Ltd. was considered and approved.

<u>Name</u>	<u>Number of actual attendances/ number of attendances as required</u>
Liu Cheeming	2/2
Xiao Suining	2/2
Zhang Ming	2/2
Yu Liping	1/2
Wu Yuezhou	2/2
Shen Tiedong	2/2
Lam Lee G.	2/2



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### V. EXPLANATION ON DISCOVERY OF COMPANY'S RISK BY THE SUPERVISORY COMMITTEE

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

#### (I) Attendances of Supervisors at the Meetings of the Supervisory Committee

Name of Supervisors	Number of the meetings of Supervisory Committee as required to be present this year	Number of attendances in person	Number of attendances by correspondence	Number of attendances by proxy	Number of absences	Absence from two consecutive meetings or not
Wu Hongwei	4	3	0	1	0	No
Wang Meijuan	4	4	0	0	0	No
Hu Hairong	4	3	1	0	0	No
Song Shihao	4	3	0	1	0	No
Rui Zhengxian	4	4	0	0	0	No
Li Lin	4	4	0	0	0	No
Zheng Xiaoyun	4	2	1	1	0	No
Cheng Feng	4	1	1	2	0	No
Feng Huang	4	4	0	0	0	No
Song Chunfeng	4	3	0	1	0	No
Chen Huifeng	4	2	1	1	0	No

The voting results of the deliberation on the proposals by the Supervisory Committee were agreed by all Supervisors, with no waiver or opposition.

#### (II) Meetings of the Supervisory Committee

During the Reporting Period, the Supervisory Committee convened four meetings in total, and the details are as follows:

- On 27 March 2018, the 17th meeting of the sixth session of the Supervisory Committee was convened on-site, at which the Annual Report of the Company for the Year 2017, the Internal Control Evaluation Report of the Company for the Year 2017, the Compliance Report of the Company for the Year 2017, the Report of the Supervisory Committee of the Company for the Year 2017, and the Proposal regarding Changes to Accounting Policies of the Company were considered and approved.
- On 26 April 2018, the 18th meeting of the sixth session of the Supervisory Committee was convened on-site, at which the First Quarterly Report of the Company for the Year 2018 was considered and approved.



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3. On 29 August 2018, the 19th meeting of the sixth session of the Supervisory Committee was convened on-site, at which the Interim Report of the Company for the Year 2018 was considered and approved.
4. On 29 October 2018, the 20th meeting of the sixth session of the Supervisory Committee was convened on-site, at which the Third Quarterly Report of the Company for the Year 2018 was considered and approved.

### VI. EXPLANATION ON ABSENCE OF INDEPENDENCE OR INDEPENDENT OPERATING ABILITY ON BUSINESS, STAFF, ASSETS, INSTITUTIONS AND FINANCE WITH ITS CONTROLLING SHAREHOLDERS BY THE COMPANY

The equity structure of the Company is relatively scattered. There is no controlling shareholder. The Company is completely independent from its shareholders in business, personnel, assets, institutions, finance, etc. The Board, the Supervisory Committee and other functional departments of the Company all function independently with independent and complete business and self-operating capabilities.

#### 1. Business Independence

According to the PRC Company Law, the Articles of Association and the business scope approved by the CSRC, the Company legally conducts its businesses independently. The Company has obtained relevant operation permits for securities businesses, by which shapes its independent and complete business structure and the capability to conduct independent operation. The Company's business operation is free of control or influence from its shareholders or related parties and is able to participate in market competition independently. There is no violation of the Company's operational procedures by any shareholder or related party to intervene the Company's internal management or business decision-making.

#### 2. Staff Independence

The Company has an established human resource department with independent and complete labour, personnel and salary administration system. The Company has elected/appointed its Directors, Supervisors and senior management through statutory procedures. None of our senior management holds any position other than positions of director or supervisor at any shareholder or any of the Company's subsidiaries, nor do they hold any position in any enterprise that have the same or similar business with that of the Company. There is no occasion where the Company's shareholders acted beyond the authority of the general meeting and the Board to appoint Directors, Supervisors or senior management of the Company. Appointments of Directors, Supervisors, and senior management strictly complies with the PRC Company Law, the PRC Securities Law and the Articles of Association, and is conducted in lawful procedures. The Company has established comprehensive labour employment, personnel administration, payroll management and social security system, and all employees have signed labour contracts with the Company. The Company has the independent rights to sign labour contracts without interference of any shareholders.



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### 3. Assets Independence

The Company owns independent and complete assets necessary to conduct securities business. There is no occasion where any shareholder or related party occupies the Company's assets and infringes the lawful rights of the Company, other shareholders or clients of the Company. The Company operates and manages its assets according to law and owns the special operating licenses, properties, operating equipment and trademarks necessary to conduct business.

### 4. Institutional Independence

The Company has established a complete corporate governance structure with the general meeting, the Board, the Supervisory Committee, management and relevant management departments in sound condition and accountable for their own responsibilities. The Company has independent and complete securities operation and management system to independently conduct business operation, and its structure and operation of organisation in compliance with the relevant requirements of the CSRC. The existing offices and premises are separate from our shareholders. There is no mix of corporate structures or direct interference against the operations of the Company by any shareholder.

### 5. Financial Independence

The Company has set up dedicated financial department, with dedicated financial accounting system and financial management system. The Company makes financial decisions in accordance with decision-making procedures. There is no occasion where any shareholder or related party interferes the Company's use of fund. The chief financial officer of the Company is appointed by the Board and works with dedicated financial officers. They have opened separate bank accounts thus no shareholder or related party shares any bank account with the Company. As an independent tax payer, the Company pays various taxes according to financial and taxation rules and regulations.

#### ***The Company's corresponding solutions, progress and follow-up plans for intra-industry competition***

✓ Not applicable

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### VII. ESTABLISHMENT AND IMPLEMENTATION OF PERFORMANCE APPRAISAL AND INCENTIVE MECHANISMS FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The Company considered and approved the Proposal regarding Formulation of Administrative Measures on Remuneration of Senior Management of Haitong Securities Co., Ltd. and the Proposal regarding Formulation of Administrative Measures on Performance Appraisal for Senior Management of Haitong Securities Co., Ltd. (together, the “two Measures”) at the 13th meeting of the sixth session of the Board. According to the two Measures, the Board will conduct the annual performance appraisal and consider related awards for senior management upon the end of an accounting year. During the Reporting Period, the Proposal regarding the Appraisal and Incentive Plan of Senior Management of the Company for the Year 2017 was considered and approved at the 23<sup>rd</sup> meeting of the sixth session of the Board, to implement “an overall remuneration and performance appraisal system for the senior management, linking the benefits of the senior management with that of the shareholders, and based on the aim of creating long-term value for the shareholders” and “a performance-oriented remuneration and performance appraisal system with both long-term and short-term objectives” established by the two Measures, so as to ensure the marketisation of the remuneration and rewarding system and maintain its competitive advantages in the industry.

At the same time, the 24th meeting of the sixth session of the Board of the Company considered and approved the Proposal regarding the Implementation of Professional Manager Plan of Haitong Securities Co., Ltd. In accordance with the principles of “market-oriented recruitment, contract-based management and differential remuneration”, and the aims of “adequate capabilities, reasonable structure, standardised management and effective supervision,” the Company adheres to combining incentives with constraints, implements contract-based management, and closely links professional managers’ annual salary and mid-term and long-term incentive incomes with the Company’s performance and their performance appraisal results so as to guarantee the marketisation of executive compensation incentive system and effectively improve the overall competitiveness of the Company.

### VIII. WHETHER OR NOT TO DISCLOSE SELF EVALUATION REPORT OF INTERNAL CONTROL

For details of the self-evaluation report of internal control of the Company, please refer to the Internal Control Evaluation Report of Haitong Securities Co., Ltd. for the Year 2018 disclosed by the Company on the website of the SSE on 27 March 2019. Please refer to the relevant overseas regulatory announcement of the Company dated 27 March 2019 for details.

During the Reporting Period, the Company had no material defects in terms of internal control.



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### IX. DESCRIPTION OF AUDIT REPORT ON INTERNAL CONTROL

The Company's internal control audit institution, BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership), issued a standard unqualified audit report on internal control of the Company.

For details of the audit report on internal control of the Company, please refer to the 2018 Annual Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the SSE on 27 March 2019. Please refer to the relevant overseas regulatory announcement of the Company dated 27 March 2019 for details.

### X. ESTABLISHMENT AND EXECUTION OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

#### (I) Statement of the Board

To establish, improve and effectively implement risk management and internal control is the responsibility of the Board of the Company. The Supervisory Committee shall supervise the establishment and implementation of risk management and internal control by the Board. The management shall be responsible for organising and leading daily operations of the Company's risk management and internal control.

The objectives of the Company's risk management and internal control are: to reasonably ensure compliance with laws and regulations of business operation, assets safety, truthfulness and completeness of financial reports and relevant information, to improve operating efficiency and facilitate the achievement of development strategy of the Company. As risk management and internal control bears inherent limitations, it can only provide reasonable assurance for achieving the aforesaid objectives.

The Board has assessed the risk management and internal control according to the requirements of Basic Standards for Enterprise Internal Control and deemed it valid as at 31 December 2018.

#### (II) The Setting of Risk Management and Internal Control Institution

The Company has established a scientific and effective internal control structure to identify, evaluate and manage major risks of the Group. The Board, Supervisory Committee, management, functional management departments and business operation departments each performs its clearly defined functions and responsibilities.

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The Board of the Company has established the Audit Committee and the Compliance and Risk Control Committee, the responsibilities of which include reviewing the Company's risk management and internal control system, supervising the overall effective implementation and self-assessment of risk management and internal control. With the Audit Committee and the Compliance and Risk Control Committee, the Board will review the effectiveness of risk management and internal control system at least once a year. These committees assist the Board to fulfil its duties of supervision and corporate governance, which covers the finance, operation, compliance, risk management and internal control, as well as the duties of financing resource and internal audit. The General Compliance Officer is responsible for reviewing, supervising and inspecting the compliance of operations and practices of the Company and its staff; the Supervisory Committee is responsible for supervising the establishment and implementation of risk management and internal control of the Board; the Chief Risk Officer is responsible for promoting and coordinating the establishment and implementation of risk management and internal control and enforcing the strategies and policies of the risk management of the Company; the functional management departments, consisting of compliance and legal department, risk management department, strategy and development department, audit department, planning & finance department, IT department, operating centre and human resources department, shall be responsible for the specific implementation of internal control work and assessing the soundness and effectiveness of each internal control system; the business operation departments internally designate persons responsible for establishing and implementing the internal control system of their respective units and reviewing the implementation of regulations and conducting front-line supervision on operational risks.

### (III) Risk Management and Internal Control Systems

The Board is the maker and authorised person of the Company's strategic objectives for risk management. The Board of the Company undertakes the ultimate responsibility for the effectiveness of the risk management and internal control system, specifically for advancing the construction of risk culture, reviewing and approving the overall objective, fundamental policy and system of the Company's risk management, and the overall risk orientation, risk tolerance, material risk limit and solution for material risk, the Company's periodic risk assessment report, appointment, dismissal and evaluation of Chief Risk Officer, as well as the establishment of a direct communication mechanism with the Chief Risk Officer. The Board set up the Compliance and Risk Management Committee to execute the specific risk management duties.

In accordance with the laws, regulations and industry standards, the Company has built up the comprehensive risk management and internal control system that embeds a complete operable administrative system, an improved organisation structure, a reliable IT system, a measurable risk indicators system, a professional talent pool, an effective risk response mechanism and a well-established risk control culture. In facing of liquidity risk, market risk, credit risk, operational risk, information technology risk, reputation risk, etc., the Board, the management and the entire staff would work together in identifying the risks precisely, evaluating the risks prudently, conducting dynamic monitoring, responding immediately and managing the whole process of risk control.



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The objective of building comprehensive risk management system is to enhance the Company's scientific, regulatory and effective management and operation, so as to strengthen its capability of defending against financial risks and ensure the continuous, stable and healthy development of the Company's various businesses. It can only provide reasonable but not absolute assurance for preventing material false statement or loss considering its purpose is to manage, instead of eliminating, risks that might affect the achievement of business objectives.

The comprehensive risk management of the Company abides by the following principles: (1) principle of comprehensiveness: the Company's risk management system has involved all levels of the Company, including the Board, the management and the entire staff, into the processes of identification, measurement, monitoring, reporting, administration and examination of the risk. The concept and measures of risk control have been widely acknowledged through all departments, branches, subsidiaries and business lines. (2) principle of independence: an effective system had been established to isolate and balance the front operational departments and the middle and back departments, so that the risk management department is able to evaluate and monitor the risk independently. (3) principle of prudence: the Company must carefully examine all sections of the risk management and prudently evaluate the risks encountered by the Company.

The Company has standardised the procedure of handling and publishing inside information, to ensure the inside information remains confidential until it has been properly disclosed with approval and ensure the information is disclosed effectively and consistently.

### **(IV) Establishment and Improvement of Risk Management and Internal Control System**

During the Reporting Period, the Company kept strengthening its risk management and internal control system, improving its risk management and internal control mechanism, standardising its business process, and improving its management system to ensure that the internal control covers the whole process of decision-making, implementation and supervision in addition to the entire business and management of the Company. The Company has adopted a number of policies and procedures to evaluate and prudently enhance the performance of the Group's risk management and internal control system.

#### **1. Management of Traditional Business**

In terms of compliance management, the Company has formulated or amended and perfected, among others, the Implementation Measures for Compliance Assessment, Management Measures for Compliance Management Personnel, Measures for Compliance Accountability, Management Measures for Compliance of Subsidiaries, Management Measures for Rules and Regulations, Management Measures for Assisting Law Enforcement Agencies on the Search, Freeze and Seizure of Securities and the Capital Settlement of Securities Transactions (Revision), Provisional Measures for Closely Monitored Accounts with Abnormal Transactions from Customers, Management Measures for the Information Wall and Conflict of Interest in Private Investment Funds Subsidiaries, Implementation Guidelines for Compliance Review and Consultation, Implementation Measures for Compliance Inspection, Management Measures for Compliance Monitor of Staff Behaviour, and Implementation Rules on the Classification and Management of Customer Risk Levels for Anti-Money Laundering of the Company (Revision).

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In terms of risk management, the Company has formulated or amended and perfected, among others, the Management Measures for Comprehensive Risks (Trial), Management Measures for (Group) Operational Risks, Management Measures for Authorisation of Operational Risks Management System, Management Measures for (Group) Market Risks, Management Measures for (Group) Credit Risks, Management Measures for Emergency Response to Liquidity Risks, Management Measures for (Group) Liquidity Risks, Management Measures for Reputation Risks, Management Measures for Modules (Trial), Measures for Assessment and Evaluation of Risk Management, Management Measures for Front-end Risk Control of Transactional Funds for Self-operating Business (Trial), Management Measures for Impairment of Financial Instruments (Trial), Management Measures for Credit Rating of (Group) Corporate Customers (Trial), Working Requirements for Comprehensive Risk Management of Subsidiaries, Working Requirements for Comprehensive Risk Management of Departments, and Working Requirements for Risk Management of Branches.

In terms of funds and financial management, the Company has formulated, among others, the Management Measures for Raised Funds, Management Measures for Self-owned Funds (2018 Revision), Management Measures for Financial Management of Major Infrastructure Projects (Trial), Management Measures for Quality Liquid Assets, Management Measures for Classification of Financial Instruments, Implementation Rules on Performance Remuneration and Business Expense of Leadership Staff (2018 Revision), Management Measures for Operational Procedures and Internal Control in the Holistic and Prudent Management Model of Full-covered Cross-border Financing (Revision), Management Measures for Operational Procedures and Internal Control in the Holistic and Prudent Management Model of Full-covered Cross-border Financing (Trial), Management Measures for Cross-border Debt Financing (Trial), Management Measures for Cross-border Guarantee (Trial), Management Measures for Direct Declaration of International Income and Expenditure Statistics, and Management Measures for Business Reception Fees.

In terms of business control, in June 2018, in accordance with relevant laws and regulations such as the Guidelines for Internal Control of Investment Banking Business of Securities Companies (SFC announcement No. [2018]6), rules and other normative documents, industry standards and self-regulation rules, and the internal rules and regulations of the Company, the Company amended, 24 internal control and compliance management systems including the Internal Review System of Investment Banking Business of Haitong Securities Co., Ltd. and added 20 systems including the Internal Control Accountability System of Investment Banking Business of Haitong Securities Co., Ltd. to comprehensively enhance all investment banking businesses, including investment banking, debt financing and mergers and acquisitions and reorganisation. In July 2018, in accordance with requirements in the Notice on Further Strengthening Security Management of Credit Assessment Information by the People's Bank of China, the Company formulated 7 credit assessment management systems including the Management Measures for Credit Assessment Information of Customers. In addition, the Company also formulated or amended and perfected the Management Measures for Big Data Platform (Trial), Management Measures for Securities Brokers, Management Measures for Authorisation of the Fixed Income Securities Integrated E-platform of the Shanghai Stock Exchange, Risk Rating System for Funds (Revised), and Management Measures for Return Visits to Investors.



## SECTION IX CORPORATE GOVERNANCE

In terms of information system control, the Company has formulated or amended and perfected, among others, the Implementation Rules for Baseline Management of System Software Versions of the Information Technology Management Department (Trial), Management Rules on Routine Operation and Maintenance of the Production Environment of Information Systems of the Information Technology Management Department (Trial), Implementation Rules on Security Management of Data Centres of the Information Technology Management Department, Implementation Rules on Bulk Purchasing of Standardised Information Equipment Products (Trial), Implementation Rules on Model Selection of Computer Equipment, Management Measures for Information Technology Risks, Management Measures for the Function and Capacity of Information Systems, and Management Measures for Information Technology Service Agencies.

In terms of staff and administrative management, the Company has formulated or amended and perfected, among others, the Management Measures for Second Level Department Heads in Headquarters, Management Measures for Cadre Establishment in All Levels (Trial), Implementation Rules on Cadre Assessment, Implementation Rules on Cadre Selection and Appointment, Implementation Rules on Management of Cadre Training, Implementation Rules on Management of Cadre Communication, Implementation Rules on Management of Retired Staff, Implementation Measures relating to the Prevention of Conflict of Interests among All Levels of Management in Operation and Management, Management Measures for Practitioner Qualifications (Trial), Implementation Measures for Management of Union Funds, Rules of Procedure for Union Committees, Implementation Rules on Review Work of Union Funds by Union Committees, Management Measures for Work of the Union, Management Measures for the Organisational Structure and Establishment of Private Investment Fund Subsidiaries (Trial), Management Measures for the Position System of Managing Directors in Private Investment Fund Subsidiaries (Trial), Management Measures for Remuneration of Private Investment Fund Subsidiaries (Trial), Implementation Rules on Rank Management of Experts in Branches, Integrity and Self-regulation Standards for Infrastructure Working Staff, Requirements for Regular Meetings of Infrastructure Construction, Management Measures for Use of Vehicles from Company Headquarters, Procurement Management Measures (2018 Revision), and Management Measures for Infrastructure Construction Files.

### **2. *Management of Innovative Business***

The Company has established the assessment and reviewing mechanism for innovative business to conduct adequate assessment and demonstration on its compliance, feasibility and risk in the preparatory stages, and formulated relevant management systems, operational processes and risk control measures as well as measures to protect the customers' legitimate rights and interests, etc. The Company has formulated appropriate management system and risk control programmes at the early stage of all of its innovative business.



## SECTION IX CORPORATE GOVERNANCE

The Company has revised and improved its established innovative business systems according to the relevant regulatory requirements and business development needs. In March and November 2018, in accordance with the amendments to the regulatory system of stock pledged repo transactions and the adjustments on department duties, the Company amended 8 systems of the stock pledged repo transaction business, including the Management Measures for Stock Pledged Repo Transaction Business, and formulated the Management Measures for Stock Pledged Repo Transactions Settlement. In December 2018, to regulate management of the China depository receipt cross-border transfer business under Shanghai-London Stock Connect by the Company, the Company formulated 6 relevant business rules and regulations, including the Management Measures for the China Depository Receipt Cross-border Transfer Business under Shanghai-London Stock Connect (Trial). Other revisions and improvements of innovative business systems primarily include the Management Measures for Investor Suitability of Pilot Innovative Enterprise Stock or Depository Receipt Transactions, Operational Procedures for the Subscription, Purchase and Redemption of Gold and ETF, Management Measures for Funds Settlement of the Precious Metal Agency Business (2018 Revision), Implementation Rules on Management of System Authorisation of the Precious Metal Agency Business, Settlement Measures for Spot Trading of the Precious Metal Agency Business, Implementation Rules for Delivery of the Precious Metal Agency Business, Anti-Money Laundering Working Guidelines of the Precious Metal Agency Business, and Implementation Rules for the Management of E-commerce Safe Data Certificate (USB-KEY) of the Precious Metal Agency Business (2018 Revision).

### (V) Basis of Establishment of Internal Control over Financial Reports

The establishment of internal control over financial reports is based on relevant rules such as Basic Standards for Enterprise Internal Control and guidelines thereof jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission, Guidelines for Internal Control of Securities Companies issued by the CSRC and Guidelines of Shanghai Stock Exchange for the Internal Control of Listed Companies issued by Shanghai Stock Exchange.

During the Reporting Period, the Company has formulated or and improved financial accounting management systems and other internal control systems in strict accordance with the PRC Company Law, PRC Accounting Law, Accounting Standard for Business Enterprise, Standardisation of Basic Work of Accounting, Financial Rules of Financial Entities and Basic Standards for Enterprise Internal Control, and taking into consideration of industry features and its actual conditions. The Company employed scientific financial accounting structure, qualified professional financial accounting staff, normative and precise financial accounting management systems, appropriate accounting policies, and reasonable accounting estimates to ensure that the financial reports prepared by the Company comply with the requirements of accounting standards and can give a true, accurate and complete view on its financial position, operating results, cash flow and relevant information. In accordance with the Articles of Association and relevant provisions, the Company's Supervisory Committee and external audit institutions effectively inspected and supervised the Company's financial position. The external audit institutions delivered their professional audit opinions on the financial reports of the Company.



## SECTION IX CORPORATE GOVERNANCE

During the Reporting Period, the internal control system over financial reports of the Company ran well and was able to ensure the quality of the financial reports and the high reliability of financial information. During the Reporting Period, the Company did not have any significant defects in internal control over financial reports and the annual financial reports of the Company are true, accurate and complete.

### **(VI) Operations of Risk Management and Internal Control System**

The Company's risk management and internal control system is able to conduct risk management and internal control in a trinity way before, during and after the business operation in respect of all the risks encountered in the course of operation.

Before the operations of business, the Company has formulated corresponding management system and process for each business; during the operations of the business, the Company has established a real-time monitoring system, implementing the dynamic monitoring of risk control indicators and automatic warning, and has also established a net capital complementation mechanism to ensure that the risk control indicators, including the net capital, continuously conform to the requirements of regulatory authorities; in respect of the control after the operations of business, the Company is able to carry out rectification measures for the issues identified during the monitoring, and the audit department has formulated auditing plan on an annual basis to proceed with the on-site audit of the Company's relevant departments, branches and subsidiaries and supervise the rectification of the identified issues.

During the Reporting Period, under the Basic Standards for Enterprise Internal Control and regulatory requirements, the Company has continued to improve the risk control checklist covering primary businesses, key areas and critical sectors by identifying key risks in the management and operation in view of all business processes. The Company strengthened the management of corporate rules and regulations through formulating the Management Measures for Rules and Regulations of Haitong Securities Co., Ltd. and establishing a mechanism for the assessment, revision and perfection of rules and regulations of the Company, ensuring a reasonable and suitable internal control system. The Company also promoted the development of information system, increasing the level and scope of information control. Based on the risk control list, the Company organised internal audit and self-assessment of internal control, while dealing with the problems and defects discovered in the internal and external examination by listing them out and account-deleting, thus forming a closed-loop management for checking, correcting and continuous improvement.

## SECTION IX CORPORATE GOVERNANCE

During the Reporting Period, the Company continued to promote and improve the establishment and operation of its comprehensive risk management and liquidity risk management system. In respect of system building, the Company completed the establishment of Phase I and commenced Phase II of the risk control consolidation system, improved integrated pressure test modules in the risk control indicator system, perfected the risk measurement function for exchange rate of foreign currencies and bonds in the market risk management system, completed the testing of the centralised monitoring module of market investment risk limits, completed the development of customer management and internal grading functions for Phase I of the credit risk management system, commenced the establishment project of the risk management consolidated statements and visual graphics, and conducted preliminary development and operation of the risk cabin. In respect of consolidated regulation, the Company completed preparation of the Quarterly Consolidated Regulatory Statements for 2018 and the consolidated statements of the Group, and reported them to regulatory authorities. The Company also completed preparation of the monthly consolidated regulatory statements and their analysis, and reported them to the management of the Company. The Company completed underlying data mining work from the consolidated regulatory statements of the subsidiaries, the scope of which covering domestic and foreign subsidiaries, as well as the systematic connection of consolidated data and automated data transfer, achieving mining and review of specific data in the consolidated system. At the same time, the Company actively pushed for the consolidated regulatory T+1 report project of the Group and achieved T+1 production of risk control consolidated statements at the end of 2018. In respect of subsidiary management, the Company strengthened its management on subsidiaries through various manners, including nomination of risk management heads in subsidiaries, limits and reports, risk control consolidated management, risk management assessments, investigations and examinations, and group pressure tests, specified the procedure of nominating managing directors of subsidiaries by the Chief Risk Officer of the Company, formulated and assigned risk limits and regular report templates to subsidiaries, promoted the establishment of a sound risk control consolidated management system in all subsidiaries, separated the risk management assessment indicators and requirements between subsidiaries and their heads of risk management work, commenced on-site inspections and investigations to subsidiaries, researched and explored the management mechanism of group pressure test and formulated group pressure test solutions.

During the Reporting Period, the Company continued to improve its organisational structure in accordance with the new regulations on the industry compliance management and the actual conditions of the Company's development. In June 2018, in accordance with requirements under the Guidelines for Internal Control of the Investment Banking Business of Securities Companies (《證券公司投資銀行類業務內部控制指引》) issued by the CSRC, the Company separated the Investment Banking Business and Internal Audit Department from the Compliance and Legal Department as an independent first-level functional department. The Department conducted export management and end risk control for investment banking projects, thus performing its duty to make final approvals and decisions on materials and documents submitted, delivered, issued or disclosed to external parties on behalf of the Company to safeguard the sustainable development of the Company's investment banking business.



## SECTION IX CORPORATE GOVERNANCE

### **(VII) Internal Supervisions of the Establishment and Implementation of Risk Management and Internal Control**

The Company has formulated the Self-Assessment Handbook of Haitong Securities' Internal Control to regulate the self-assessment of internal control activities. The Company has set up a leading group, a working group and an internal control evaluation group for implementation of internal control regulations. The office meeting among general managers has appointed the risk management department as the leader of the working group for implementation of risk management and internal control regulations, being responsible for guiding the establishment and implementation of risk management and internal control; and assigned the audit department as the leader of the internal control evaluation group, being responsible for internal control self-assessment and issuance of internal control evaluation reports. The risk management department and the audit department independently perform their duties to evaluate the implementation and effectiveness of internal control. The compliance and risk management department has pushed forward departmental coordination and urged various departments of the Company to streamline their internal control processes, focusing on the design of internal control process for new businesses and new operation processes. The audit department has organised all departments and subsidiaries to conduct self-evaluation on the effectiveness of internal control, reviewed and evaluated the preliminary drafts of the evaluation report, summarised the weaknesses of internal control and tracked the rectification of such weaknesses.

In respect of risk management and internal control, the Company's Compliance and Risk Management Committee and Audit Committee undertake their supervising responsibility and examine the effectiveness of the Company's risk management and internal control system. The annual internal control self-assessment of the Company covers all the departments and subsidiaries, which includes the risk management and internal monitoring of finance, operation and compliance. In addition, the audit department would audit the position of risk management and internal monitoring from time to time and evaluate their effectiveness. Besides the internal review and evaluation, the external auditor also evaluates the sufficiency and effectiveness of material risk and internal control of the Company.

### **(VIII) Defects in Risk Management and Internal Control and Identification Thereof**

The Board of the Company determined internal control defects and their specific identification standards applicable to the Company, namely, significant defects, important defects and common defects based on the impact of defects, according to identification requirements of significant defects, important defects and common defects under Basic Standards for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies and taking into account of various factors including the size of the Company, industry features and risk levels.

Significant defects refer to a combination of one or more control defects which may cause serious deviation from the control target of the Company. Important defects refer to a combination of one or more control defects with impacts and economic consequences that are less serious than those of significant defects but may still cause deviation from the control target of the Company. Common defects refer to any defects other than significant defects and important defects.

## SECTION IX CORPORATE GOVERNANCE

### (IX) Evaluation of Effectiveness of the Company's Risk Management and Internal Control

The Company has self-evaluated the effectiveness of the design and operation of its internal control up to 31 December 2018 pursuant to the requirements of the Basic Standards for Enterprise Internal Control, Guidelines for the Evaluation of Enterprise Internal Control, Guidelines for Internal Control of Securities Companies and Guidelines of Shanghai Stock Exchange for Internal Control of Listed Companies and relevant laws and regulations, and has issued the 2018 Internal Control Evaluation Report. The Compliance and Risk Management Committee from the Board would analyse and evaluate the risk management and internal control system of the Group to determine whether it is employed adequately and effectively. During the Reporting Period, the Company has set up risk management and internal control systems for businesses and issues included in the evaluation scope, and put them into effect earnestly, with relevant goals achieved without any significant defects in respect of the design and implementation of the risk management and internal control. From the reporting base date to the date of issuance of internal control evaluation report, there were no material changes in the risk management and internal control system that may have a substantive influence on the evaluation results. During the Reporting Period, the external certified public accountants of the Company independently audited the design and implementation of its internal control. They considered that the Company had maintained effective internal control on financial reports pursuant to the Basic Standards for Enterprise Internal Control and relevant regulations in material aspects and did not discover any significant defects in internal control systems on non-financial reports related.

### (X) Work Plan of Risk Management and Internal Control in 2019

The risk management and internal control system should be adaptive with the operation scale, business scope, competitiveness and risk level of the Company and be timely adjusted according to the changes of situations. In 2019, the work plan for risk management and internal control mainly includes: continuing to push forward the establishment of internal control system with a focus on key areas and critical sectors with constant improvement of all systems, policies and processes, to ensure that there are no deficiencies in system design or blind spots in control system in practice; continuing to improve comprehensive risk management system, pushing forward the construction of risk management system and deepening the depth and advancing the consolidation of risk control indicators; carrying out daily monitor and information report in accordance with regulatory and the Company's system requirements; continuously assessing the implementation of systems to perfect and improve risk control and management strategies timely against existing problems; continuing to carry out account-deleting management in the way of making checklist in response to the issues and defects discovered during the evaluation and implementation process of internal control; absorbing new knowledge and new concept concerning internal control management, and to enhance the effectiveness and outcome of internal control; continuing to strengthen the promotion and training on the standard for internal control to further upgrade the level of internal control and risk management of the Company.



## SECTION IX CORPORATE GOVERNANCE

### XI. OTHERS

#### (I) Company secretaries

Mr. Jiang Chengjun and Ms. Wong Wai Ling are the joint company secretaries of the Company. Ms. Wong Wai Ling serves as a president of SWCS Corporate Services Group (Hong Kong) Limited. Mr. Jiang Chengjun, the Board secretary and the joint company secretary of the Company, is the main contact person with the Company. According to Rule 3.29 of the Hong Kong Listing Rules, Mr. Jiang Chengjun and Ms. Wong Wai Ling have both received no less than 15 hours of relevant professional training as at 31 December 2018.

#### (II) Compliance with code on securities transaction

The Company has adopted the Model Code as the code for all Directors and Supervisors to conduct securities transaction of the Company. Upon inquiry, all Directors and Supervisors of the Company confirmed that they had strictly complied with the standards specified in the Model Code during the Reporting Period. The Company has also set guidelines, which is no less strict than the Model Code, on transactions of the Company's securities for relevant employees (as defined in the Hong Kong Listing Rules). The Company has not found any employee violating the said guidelines.

The Board will examine the corporate governance and operations of the Company in accordance with relevant provisions in the Hong Kong Listing Rules from time to time to protect shareholders' interests.

#### (III) Internal control

For details of the audit report on internal control of the Company, please refer to the 2018 Annual Audit Report on Internal Control of Haitong Securities Co., Ltd. disclosed by the Company on the website of the SSE dated 27 March 2019. Please refer to the relevant overseas regulatory announcement of the Company dated 27 March 2019 for details.

#### (IV) Directors' and auditor's responsibilities for the financial statements

The Board has acknowledged its responsibilities of preparing the accounts for the year ended 31 December 2018 of the Group.

The Board is responsible for the clear and fair assessment for annual reports, interim reports, price-sensitive information and other disclosures according to the Hong Kong Listing Rules and other regulatory rules. The management has provided the Board with all necessary explanations and information for the Board to make an informed assessment of the Group's financial data and position for the Board's consideration and approval.

The Company has not encountered any significant uncertainties or situations that might cause material doubt to the ability of continuous operations of the Company. In addition, the Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors, the Supervisors and the senior management.

## SECTION IX CORPORATE GOVERNANCE

### (V) Communications with shareholders

The general meeting shall be the supreme authority of the Company. All shareholders exercise their power through the general meeting. The Company shall hold general meetings in strict accordance with relevant regulations to ensure that all shareholders, especially the minority shareholders, enjoy equal status and can exercise their rights adequately. Under the restriction imposed by the Articles of Association, the Company maintains orderly, stable and healthy development in the interest of the Company and its shareholders.

The Company attaches great importance to the opinions and recommendations of its shareholders and actively, proactively and normatively carries out various investor relation activities to keep in contact with shareholders and timely satisfy their reasonable demands. Meanwhile, the Company releases its announcements, financial data and other relevant data on its website [www.htsec.com](http://www.htsec.com), which serves as a channel facilitating effective communication with the shareholders. The shareholders may make enquiries through emails, hotlines or directly sending their letters to the Company's office address. The Company will properly and timely handle relevant enquiries.

The Board welcomes suggestions from shareholders, and encourages shareholders to attend general meetings to directly express any concerns they may have to the Board or to the management. Normally, the chairman of the Company, the chairmen of respective committees and the management will attend annual general meetings and other general meetings to answer questions put forward by shareholders.

Shareholders may convene an extraordinary general meeting and make proposals on the general meeting in accordance with the procedures specified in Articles 71 and 76 of the Articles of Association, which have been published on the websites of the SSE, Hong Kong Stock Exchange and the Company.

The Company will arrange the Board to answer questions raised by shareholders at the 2018 annual general meeting.

Detailed procedures of voting and proposals to be voted by way of poll will be published on the website of the SSE (for A Shares) or contained in the circular to be dispatched to shareholders (for H Shares).

### (VI) Investors relationship activities

As required by the Board, the Management of the Company took effective measures to maintain investor relations by introducing investors the Company's business strategy, the approach and operation results in various manners including performance updates, global roadshows, investor visits, participation in investor meetings, active enhancement on contacts between investors and analysts and timely response to investors' enquiries, so as to effectively strengthen communication with investors and carefully manage investors' expectations. In 2018, the Company convened a total of two result announcement sessions and conducted global performance roadshows. The Company was invited and attended forums held by 11 domestic and foreign investment banks and brokers, received domestic and foreign investors for a total of 39 survey visits and received approximately 340 visits by investors.



## SECTION IX CORPORATE GOVERNANCE

### (VII) Other reporting issues

During the Reporting Period, the Company amended the Articles of Association once. The amendment was considered and approved by the 25th meeting of the sixth session of the Board convened on 29 August 2017, and by the 2018 first extraordinary general meeting convened on 1 March 2018. In April 2018, the Company received, from the Shanghai Supervision Bureau of the CSRC, the Approval on Changes of Important Articles of Association of Haitong Securities Co., Ltd. (Hu Zheng Jian Xu Ke [2018] No. 33). For details of the amendment, please refer to the Company's announcements dated 29 August 2017 and 1 March 2018, as well as the circular dated 15 January 2018.



## SECTION X CORPORATE BONDS

### I. BASIC INFORMATION OF CORPORATE BONDS

According to the Proposal regarding the General Mandate to Issue Onshore Debt Financing Instruments considered and approved at the 15th meeting of the sixth session of the Board on 30 March 2016 and the 2015 annual general meeting on 26 May 2016, the Company applied for and obtained the Letter of Approval for Haitong Securities Co., Ltd. to Publicly Issue Corporate Bonds to Qualified Investors (Zheng Jian Xu Ke [2017] No. 2388) from the Shanghai Stock Exchange and the CSRC. Relevant proposals were published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of the SSE (<http://www.sse.com.cn>) on 31 March 2016 and 27 May 2016, respectively. The Letter approved the Company to publicly issue corporate bonds with an aggregate nominal amount not exceeding RMB20.0 billion to qualified investors. Based on the aforesaid proposals and regulatory approvals, during the Reporting Period, the Company issued five tranches of corporate bonds.

*Unit: 100 million Currency: RMB*

Name of Bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading
2013 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	13 Haitong 02	122281	25 November 2013	25 November 2018	–	6.15%	Simple annualised interest rate	SSE
2013 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	13 Haitong 03	122282	25 November 2013	25 November 2023	23.9	6.18%	Simple annualised interest rate	SSE
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 05	122312	14 July 2014	14 July 2019	45.5	5.45%	Simple annualised interest rate	SSE
2013 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	13 Haitong 06	122313	14 July 2014	14 July 2024	8	5.85%	Simple annualised interest rate	SSE
2017 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	17 Haitong 01	143231	11 August 2017	11 August 2020	50	4.63%	Simple annualised interest rate	SSE
2017 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	17 Haitong 02	143232	11 August 2017	11 August 2022	10	4.80%	Simple annualised interest rate	SSE
2017 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	17 Haitong 03	143301	22 September 2017	27 September 2027	55	4.99%	Simple annualised interest rate	SSE
2017 Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd.	17 Haitong 04	143336	25 October 2017	25 October 2020	5	4.77%	Simple annualised interest rate	SSE
2018 Corporate Bonds (Tranche 1) of Haitong Securities Co., Ltd.	18 Haitong 01	143480	8 March 2018	8 March 2021	30	5.15%	Simple annualised interest rate	SSE



## SECTION X CORPORATE BONDS

Unit: 100 million Currency: RMB

Name of Bonds	Abbreviation	Code	Date of issuance	Maturity date	Balance of bonds	Interest rate (%)	Method to repay principal and pay interest	Venue of trading
2018 Corporate Bonds (Tranche 2) of Haitong Securities Co., Ltd.	18 Haitong 02	143529	22 March 2018	22 March 2021	30	5.14%	Simple annualised interest rate	SSE
2018 Corporate Bonds (Tranche 3) of Haitong Securities Co., Ltd.	18 Haitong 03	143632	10 May 2018	10 May 2021	30	4.70%	Simple annualised interest rate	SSE
2018 Corporate Bonds (Tranche 4) of Haitong Securities Co., Ltd.	18 Haitong 04	143464	6 August 2018	6 August 2021	30	3.98%	Simple annualised interest rate	SSE
2018 Corporate Bonds (Tranche 5) of Haitong Securities Co., Ltd.	18 Haitong 05	155038	22 November 2018	22 November 2021	30	3.88%	Simple annualised interest rate	SSE

As at 31 December 2018, the total balance of the publicly issued corporate bonds is RMB34.74 billion.

### PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL OF CORPORATE BONDS

#### 1. Repayment

13 Haitong 02 of 2013 Corporate Bonds (Tranche 1) repaid the principal with dividends and delisting on 26 November 2018.

#### 2. Payment of Interest

The 2013, 2017 and 2018 corporate bonds issued publicly carry interest payable annually in arrears, and the interest payable for the last period will be paid in arrears together with principal upon maturity; no additional interest will be accrued upon payment date of interest for each period and upon repayment date of principal. The repayment of principal with dividends of the bonds shall be duly handled via the registration institutions and relevant institutions.

#### Further Description of Corporate Bonds

The Company's existing subordinated bonds, non-public issuance of corporate bonds and offshore bonds at the end of the Reporting Period are represented in the following table. Subordinated bonds amounted to RMB10.5 billion, non-public issuance of corporate bonds amounted to RMB20.0 billion, offshore financial bonds amounted to US\$300 million and EUR230 million, respectively. Please refer to Bonds Payable of Note 37 to the Consolidated Financial Statements in Section XI – FINANCIAL REPORT for more details on corporate bonds.

## SECTION X CORPORATE BONDS

Unit: 100 million Currency: RMB (Foreign currencies in special remarks)

Name of Bonds	Abbreviation	Code	Term	Date of issuance	Maturity date	Balance of bonds	Interest rate	Method to repay principal and pay interest	Venue of trading
2015 subordinated bonds (Tranche 1)	15 Haitong C1	123212	5 years (3+2)	8 April 2015	8 April 2018	-	5.50%	Simple annualised interest rate	SSE
2015 subordinated bonds (Tranche 2)	15 Haitong C3	125993	5 years (3+2)	12 June 2015	12 June 2018	-	5.38%	Simple annualised interest rate	SSE
2016 subordinated bonds (Tranche 1)	16 Haitong C1	145179	3 years	17 November 2016	17 November 2019	40	3.30%	Simple annualised interest rate	SSE
2016 subordinated bonds (Tranche 1)	16 Haitong C2	145180	5 years	17 November 2016	17 November 2021	20	3.40%	Simple annualised interest rate	SSE
2017 subordinated bonds (Tranche 1)	17 Haitong C1	145411	3 years	16 March 2017	16 March 2020	45	4.80%	Simple annualised interest rate	SSE
2016 non-public issuance of corporate bonds (Tranche 1)	16 Haitong 01	135484	4 years(3+1)	18 May 2016	Option of redemption	150	3.60%	Simple annualised interest rate	SSE
2016 non-public issuance of corporate bonds (Tranche 1)	16 Haitong 02	135485	5 years	18 May 2016	18 May 2021	50	3.80%	Simple annualised interest rate	SSE
Financial Bonds	Haitong Securities 4.5% B2023	5482	5 years	13 December 2018	13 December 2023	US\$300 million	4.5%	Simple semi-annualised interest rate	Hong Kong Stock Exchange
Financial Bonds	Haitong Securities FRN B2023	5483	5 years	13 December 2018	13 December 2023	EUR230 million	3M EURIBOR OR EUR+1.65%	Simple quarterly interest rate	Hong Kong Stock Exchange

### 1. Issuance of Offshore Financial Bonds

According to the Proposal regarding the General Mandate to Issue Offshore Debt Financing Instruments considered and approved at the 17th meeting of the sixth session of the Board on 29 July 2016 and the 2016 extraordinary annual general meeting on 23 September 2016 as well as the Enterprise Foreign Debt Pre-Issuance Registration Certificate (Fa Gai Ban Wai Zi Bei [2018] No.330) issued by the NDRC, the Company completed the issuance of bonds due 2023 with an amount of US\$300 million and a rate of 4.50%, and floating rate bonds due 2023 with an amount of EUR230 million and a rate of 3M EURIBOR EUR+1.65% on the Hong Kong Stock Exchange on 13 December 2018. Please refer to the announcement of the Company dated 13 December 2018 for details.



## SECTION X CORPORATE BONDS

### 2. Redemption of Subordinated Bonds

15 Haitong C1 of 2015 subordinated bonds (Tranche 1) was issued on 8 April 2015, with an amount of RMB15 billion, interest rate of 5.50% and right of redemption at the end of the third year upon the issuance. The issuer chose to exercise the “right of redemption” and the subordinated bonds were fully redeemed on 8 April 2018. The notes to the exercise of right of redemption and the results of repayment were published on the website of the SSE.

15 Haitong C3 of 2015 subordinated bonds (Tranche 2) was issued on 12 June 2015, with an amount of RMB5 billion, interest rate of 5.38% and right of redemption at the end of the third year upon the issuance. The issuer chose to exercise the “right of redemption” and the subordinated bonds were fully redeemed on 12 June 2018. The notes to the exercise of right of redemption and the results of repayment were published on the website of the SSE.

## II. LIAISON PERSONS AND CONTACT DETAILS OF THE CORPORATE BOND TRUSTEE AND CONTACT DETAILS OF THE CREDIT-RATING AGENCY

Bond trustee	Name	CITIC Securities Company Limited
	Office address	22nd Floor, CITIC Securities Tower, No.48 Liangmaqiao Road, Chaoyang District, Beijing
	Contact persons	Song Yilan, Chang Wei
Bond trustee	Tel	010-60836030
	Name	Shanghai AllBright Law Offices
	Office address	12th Floor, Shanghai Tower, No. 501 Yincheng Middle Road, Pudong New Area, Shanghai
Credit-rating agency	Contact persons	Pei Zhenyu, Lv Xijing, Xiao Wenyan
	Tel	021-20511217
	Name	China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司)
	Office address	8th Floor, No. 760 Xizang South Road, Shanghai

## III. USE OF PROCEEDS FROM ISSUANCE OF CORPORATE BONDS

As at 31 December 2018, the said proceeds from issuance of bonds of the Company were fully used to pay its due debts, replenish the working capital of the Company to meet the Company’s needs for business operations, which were consistent with the committed use, the usage plan and other agreements as described in the prospectus. The Company has raised aggregated proceeds RMB15 billion from the Tranches 5 of corporate bonds issued publicly in 2018, and such proceeds were mainly used to pay its matured subordinated bonds, corporate bonds and income certificates with the rest used to replenish the working capital of the Company. Given that the bonds issued in tranches within the validity period of the same approval document use the same special account for proceeds, proceeds in the above special accounts have been used up with a zero balance.

## SECTION X CORPORATE BONDS

According to the notice issued by the CSRC requiring bonds issuer to conduct self-inspection, during April 2018, the Company engaged BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) (“BDO”) to conduct special inspection on the deposit and usage of proceeds raised from bonds of the Company as at 31 December 2017. And BDO prepared an Inspection Report (XIN KUAI JI BAO ZI [2018] No. ZA12954) accordingly. The Company deposits and uses the raised proceeds, and discloses relevant information in a timely, accurate and complete manner strictly subject to applicable regulations, and does not violate any such proceeds management regulations.

The proceeds from financial bonds issued on the Hong Kong Stock Exchange were used to develop the businesses of the Company. In January 2019, the Company used its proceeds to complete the contribution equivalent to RMB2 billion to Haitong International Holdings, with the rest used to replenish the working capital of the Company after deducting the issuance expenses.

### IV. INFORMATION ON THE RATING OF CORPORATE BONDS

The credit-rating agency of corporate bonds is China Chengxin Securities Ratings Co., Ltd. (中誠信證券評估有限公司) (hereinafter referred to as “CCXR”) which is a wholly-owned subsidiary of China Chengxin Credit Management Co., Ltd., established in August 1997 with its place of incorporation in Shanghai. CCXR was licenced by the CSRC and the People’s Bank of China to principally carry out stock market credit rating and lending market credit rating businesses.

From March to November 2018, CCXR approved the credit ratings of AAA for the five tranches of corporate bonds publicly issued by the Company to qualified investors in 2018 (Xin Ping Wei Han Zi [2018] No. G010-F1-X, G010-F2, G010-F3, G010-F4, G010-F5).

On 28 April 2018, the Company announced CCXR’s follow-up ratings reports on various bonds issued by the Company on the website of the SSE. According to the reports, credit ratings of publicly issued corporate bonds (Tranches 1 and 2) in 2013 remained at AAA (Xin Ping Wei Han Zi [2018] Gen Zong No. 052); credit rating of subordinated bonds (Tranche 2) in 2015 remained at AA+ (Xin Ping Wei Han Zi [2018] Gen Zong No. 053); credit rating of non-publicly issued subordinated bonds (Tranche 1) in 2016 remained at AA+ (Xin Ping Wei Han Zi [2018] Gen Zong No. 054); credit ratings of publicly issued corporate bonds (Tranches 1, 2 and 3) in 2017 remained at AAA (Xin Ping Wei Han Zi [2018] Gen Zong No. 055); credit rating of non-publicly issued corporate bonds (Tranche 1) in 2016 remained at AAA (Xin Ping Wei Han Zi [2018] Gen Zong No. 056); credit rating of non-publicly issued subordinated bonds (Tranche 1) in 2017 remained at AA+ (Xin Ping Wei Han Zi [2018] Gen Zong No. 057); credit ratings of publicly issued corporate bonds (Tranche 1 and 2) in 2018 remained at AAA (Xin Ping Wei Han Zi [2018] Gen Zong No. 058).

On 13 December 2018, the rating of the financial bonds issued on the Hong Kong Stock Exchange was BBB (Standard & Poor).

In 2018, the corporate credit rating of the Company remained at AAA (CCXR) and BBB (Standard & Poor) with a stable outlook.



## SECTION X CORPORATE BONDS

### V. CREDIT ENHANCEMENT MECHANISMS FOR CORPORATE BONDS, REPAYMENT PLAN AND OTHER RELEVANT INFORMATION DURING THE REPORTING PERIOD

There were no credit enhancement mechanisms and no change in repayment plan and other repayment supporting measures.

#### 1. Repayment plan

The Company will perform the obligation of annual payment of interest and repayment of principal and interest on maturity for each tranche of corporate bonds in a timely manner. The Company has a sound repayment capability, and repayment capital will be mainly derived from daily accumulation of profits, cash flow from operation activities, further liabilities and share capital financing activities. Revenue streams and accumulation of profits of the Company assured of the ability of principal repayment and interest payment on time to a large extent.

#### 2. Other relevant information

The Proposal regarding the General Mandate to Issue Onshore Debt Financing Instruments was considered and approved at the general meeting on 26 May 2016 and the General Mandate to Issue Offshore Debt Financing Instruments was considered and approved at the extraordinary general meeting on 23 September 2016, which stipulated repayment supporting measures, i.e., "authorising the Board and permitting the Board to re-authorise the authorised persons, jointly or separately, in respect of the issuances of the Corporate Onshore (Offshore) Debt Financing Instruments to adopt at least the following measures when there is an anticipated failure to repay the principal and interest of the onshore (offshore) debt financing instrument or an actual failure to repay the principal and interest of the onshore (offshore) debt financing instrument on due dates: ①ceasing to distribute dividends to the Shareholders; ②suspending the implementation of capital expenditure projects such as material external investments, acquisitions and mergers; ③reducing or ceasing to pay the wages and bonus of the Directors and senior management of the Company; ④freezing the job transfer of the key responsible personnel."

As for the implementation of other repayment supporting measures, the Company, in strict compliance with the relevant rules of procedure for the bondholders' meeting, organised bondholders to exercise their powers through bondholders' meetings, engaged CITIC Securities and AllBright Law Offices as the bond trustees for corresponding bonds respectively, to safeguard bondholders' interests in accordance with the Bond Trustee Agreement entered into with it, and strictly complied with the relevant fund management plans and information disclosure requirements. The above measures were consistent with the descriptions in the prospectus.

### VI. MEETINGS CONVENED FOR HOLDERS OF CORPORATE BONDS

During the Reporting Period, no bondholders' meetings were convened by the Company.

## SECTION X CORPORATE BONDS

### VII. DUTY PERFORMANCE OF THE BOND TRUSTEE OF THE CORPORATE BONDS

As the Bond Trustee of the Company, CITIC Securities Company Limited and Shanghai AllBright Law Offices had no conflict of interest in the course of performing their duties, conducted an ongoing track and supervision of the performance of the obligations agreed in the prospectus and agreements by the Company and focused on the credit status, inside and outside credit enhancement mechanisms and implementation of repayment supporting measures of the Company on an ongoing basis.

On 14 March 2018, in response to the fact that new borrowings of the Company exceeded 20% of the net assets as at the end of last year, CITIC Securities and AllBright Law Offices issued interim reports of entrusted management affairs in respect of relevant entrusted bonds.

On 28 April 2018, CITIC Securities issued the Report of entrusted management affairs for 2017 in respect of two tranches of 2013 Corporate Bonds, 2015 Subordinated Bonds (Tranche 2), three tranches of 2017 Corporate Bonds and two tranches of 2018 Corporate Bonds of the Company.

On 16 May 2018, AllBright Law Offices issued the Report of entrusted management affairs for 2017 in respect of 2016 Non-public Issued Corporate Bonds (Tranche 1) and 2017 Non-publicly Issued Subordinated Bonds (Tranche 1).

The abovementioned reports were all disclosed on the website of the SSE.

Please refer to the 2018 trustee management report from the trustees, which is expected to be disclosed publicly on SSE before June 2019.

### VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE RECENT TWO YEARS AT THE END OF THE REPORTING PERIOD

*Unit: Yuan Currency: RMB*

Key indicators	2018	2017	Movement for the period compared with the last corresponding period (%)	Reasons for changes
EBITDA	<b>20,835,874,280.06</b>	24,550,691,809.25	-15.13	–
Liquidity ratio	<b>2.04</b>	2.05	-0.49	–
Quick ratio	<b>2.04</b>	2.05	-0.49	–
			increased by 2.86 percentage	
Gearing ratio (%)	<b>74.10</b>	71.24	2.86	points –
EBITDA total debt ratio	<b>0.06</b>	0.08	-25.00	–
Interest coverage ratio	<b>1.60</b>	2.15	-25.58	–
Cash interest coverage ratio	<b>0.80</b>	-3.95	N/A	–
EBITDA interest coverage ratio	<b>1.64</b>	2.20	-25.45	–
Loan repayment ratio (%)	<b>100</b>	100	–	–
Interest payment ratio (%)	<b>100</b>	100	–	–



## SECTION X CORPORATE BONDS

Liquidity ratio = (Bank and cash balance + Clearing settlement funds + Placement to banks and other financial institutions + Margin loan + Financial assets held for trading + Derivative financial assets + Financial assets held under resale agreements + Accounts receivables – Account from securities agency trading – Funds payable to securities issuers + Other receivables + Dividend receivable + Underwriting fees to be transferred)/(Short-term borrowings + Short-term financing bills payables + Deposit taken from other financial institutions + Financial liabilities held for trading + Derivative financial liabilities + Financial assets sold under repurchase agreements + Payroll payable + Taxes payable + Accounts payable)

Quick ratio = (Bank and cash balance + Clearing settlement funds + Placement to banks and other financial institutions + Margin loan + Financial assets held for trading + Derivative financial assets + Financial assets held under resale agreements + Accounts receivables – Account from securities agency trading – Funds payable to securities issuers + Other receivables + Dividend receivable + Underwriting fees to be transferred)/(Short-term borrowings + Short-term financing bills payables + Deposit taken from other financial institutions + Financial liabilities held for trading + Derivative financial liabilities + Financial assets sold under repurchase agreements + Payroll payable + Taxes payable + Accounts payable)

### IX. PAYMENT OF INTEREST AND REPAYMENT OF PRINCIPAL OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

Name of Bonds	Abbreviation	Code	Date of issuance	Date of payment of interest and repayment of principal	Information on payment of interest and repayment of principal
2015 Subordinated Bonds (Tranche 1)	15 Haitong C1	123212	08 April 2015	09 April 2018	Redeemed
2015 Subordinated Bonds (Tranche 2)	15 Haitong C3	125993	12 June 2015	12 June 2018	Redeemed
2016 Non-publicly Issued Corporate Bonds (Tranche 1)	16 Haitong 01	135484	18 May 2016	18 May 2018	Interest paid in full on time
2016 Non-publicly Issued Corporate Bonds (Tranche 1)	16 Haitong 02	135485	18 May 2016	18 May 2018	Interest paid in full on time
2016 Non-publicly Issued Subordinated Bonds (Tranche 1)	16 Haitong C1	145179	17 November 2016	19 November 2018	Interest paid in full on time
2016 Non-publicly Issued Subordinated Bonds (Tranche 1)	16 Haitong C2	145180	17 November 2016	19 November 2018	Interest paid in full on time
2017 Non-publicly Issued Subordinated Bonds (Tranche 1)	17 Haitong C1	145411	16 March 2017	16 March 2018	Interest paid in full on time



## SECTION X CORPORATE BONDS

1. The Company paid the interest of 2016 Non-publicly Issued Corporate Bonds (Tranche 1) in a timely manner.
2. The Company paid the interest of 2016 Non-publicly Issued Subordinated Bonds (Tranche 1) in a timely manner.
3. The Company paid the interest of 2017 Non-publicly Issued Subordinated Bonds (Tranche 1) in a timely manner.

### X. BANKING FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company obtained aggregate credit facilities of various types of approximately RMB500,000 million from a total of approximately hundreds of banks. The unutilised credit facilities was over RMB300,000 million.

### XI. IMPLEMENTATION OF AGREEMENTS OR COMMITMENTS AS DESCRIBED IN THE PROSPECTUS IN CONNECTION WITH ISSUANCE OF CORPORATE BONDS DURING THE REPORTING PERIOD

There were no agreements or commitments described in the prospectus in connection with the issuance of corporate bonds.

### XII. MATERIAL EVENTS AND IMPACT THEREOF ON THE OPERATIONS AND SOLVENCY OF THE COMPANY

On 23 May 2017, the Company received an Advance Notice of Administrative Penalty (Chu Fa Zi [2017] No. 59) from the CSRC due to suspected violations of laws and regulations by Citadel (Shanghai) Trading Company Limited (司度(上海)貿易有限公司) and relevant intermediaries, please refer to the announcement published by the Company on 24 May 2017 for details. On 5 November 2018, the Company received from the CSRC the Notice of Case Closure (Jie An Zi [2018] No. 20), pursuant to which, the CSRC considered that the suspected violations of laws of the Company and relevant staff of the Company in respect of the abovementioned case were not established based on its investigations and decided to close such case. Please refer to the announcement of the Company dated 5 January 2018 for details.

On 7 March 2018, the Company released an announcement on the website of the SSE, announcing its accumulative new borrowings in the year has exceeded 20% of the net assets as at the end of the previous year. The Company's new borrowings in the year are in compliance with all relevant laws and regulations and in the ordinary and usual course of business of the Company. At present, the Company has a sound financial situation, fulfils its obligations of principal repayment and interest payment on maturity for each liability, and the new borrowings had no material adverse effect on the operations and solvency of the Company.



## SECTION XI FINANCIAL REPORT

- I. The Financial Report (H Share) of the Company for the year 2018 has been audited by Deloitte Touche Tohmatsu which has issued a standard unqualified audit report.
- II. Consolidated Financial Statements (H Share) (Appendices).
- III. Notes to Consolidated Financial Statements (H Share) (Appendices).

## SECTION XII DOCUMENTS AVAILABLE FOR INSPECTION

- I. Text of annual report with the signature of legal representative of the Company.
- II. Text of the financial report with signatures and seals of the legal representative, the chief financial officer and the person responsible for the accounting affairs of the Company.
- III. Text of the audit report with seal of the accounting firm and the signatures and seals of the certified public accountants.
- IV. Original copies of all the company's documents and announcements disclosed on newspapers designated by the CSRC during the Reporting Period.
- V. Annual reports disclosed in other securities markets.
- VI. Other relevant materials.



## SECTION XIII INFORMATION DISCLOSURES OF SECURITIES COMPANY

### I. RELEVANT INFORMATION ABOUT MAJOR ADMINISTRATIVE LICENSING MATTERS OF THE COMPANY

#### (I) Administrative licensing of business departments during the Reporting Period

New business departments	Relocation of branches	Relocation of business departments
0	1	17

#### 1. Administrative licensing of relocation of branches during the Reporting Period

No.	Name of branch before relocation	Name of branch after relocation	New address	License obtained on
1	Hunan branch of Haitong Securities Co., Ltd.	Hunan branch of Haitong Securities Co., Ltd.	16/F, Yinhua Hotel, No. 618, Wuyi Avenue, Furong District, Changsha, Hunan	11 October 2018

#### 2. Administrative licensing of relocation of business departments during the Reporting Period

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
1	Business Department of Haitong Securities Co., Ltd. in Fuqian Road, Fenyi, Xinyu	Business Department of Haitong Securities Co., Ltd. in Fuqian Road, Fenyi, Xinyu	Building 101/320/370-374, Block A, North Side of Qianyang Road (Dream Times Square)/ East Side of Fuqian Road, Fenyi County, Xinyu, Jiangxi	7 February 2018
2	Business Department of Haitong Securities Co., Ltd. in Erhe South Road, Dali	Business Department of Haitong Securities Co., Ltd. in Yuhua Road, Dali	No. 13, Yuhua Road, Xiaguan Town, Dali, Dali Bai Autonomous Prefecture, Yunnan	26 April 2018

## SECTION XIII INFORMATION DISCLOSURES OF SECURITIES COMPANY

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
3	Business Department of Haitong Securities Co., Ltd. in Fuhua Third Road, Shenzhen	Business Department of Haitong Securities Co., Ltd. in Jintian Road, Shenzhen	1603-1605, Building 1, Huanggang Business Centre/Excellence Century Centre, Southeast of the Junction of Fuhua 3rd Road and Jintian Road, Fushan Community, Futian Subdistrict, Futian District, Shenzhen	4 May 2018
4	Business Department of Haitong Securities Co., Ltd. in Fucheng Avenue, Funing, Yancheng	Business Department of Haitong Securities Co., Ltd. in Shanghai Road, Funing, Yancheng	Store (C), 1F, 05 & 06, Building 1, Jincheng Times Square, Groups 2 & 3, Cuiwan Village, Fucheng Town, Funing County, Yancheng	25 May 2018
5	Business Department of Haitong Securities Co., Ltd. in Development Avenue, Suqian	Business Department of Haitong Securities Co., Ltd. in Huanghe South Road, Suqian	Room C104, Podium, Building 6, Jintian Lake Spring, Huanghe South Road, Sucheng District, Suqian	25 May 2018
6	Business Department of Haitong Securities Co., Ltd. in Jianguo Street, Wuwei	Business Department of Haitong Securities Co., Ltd. in Qilian Avenue, Wuwei	No. 612, Qilian Avenue, Liangzhou District, Wuwei, Gansu	4 June 2018
7	Business Department of Haitong Securities Co., Ltd. in Bayi South Street, Jinhua	Business Department of Haitong Securities Co., Ltd. in Huixi Street, Jinhua	No.196, Huixi Street, Chengbei Subdistrict, Wucheng District, Jinhua, Zhejiang	26 June 2018



## SECTION XIII INFORMATION DISCLOSURES OF SECURITIES COMPANY

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
8	Business Department of Haitong Securities Co., Ltd. in Xiaguang Avenue, Tianjin	Business Department of Haitong Securities Co., Ltd. in Shuishang Gongyuan East Road, Tianjin	5/F, Building 2, Ninghui Building, Shuishang Gongyuan East Road, Nankai District, Tianjin	9 July 2018
9	Business Department of Haitong Securities Co., Ltd. in Yangliu East Road, Wenjiang District, Chengdu	Business Department of Haitong Securities Co., Ltd. in Jinfeng Road, Chengdu	No. 201, 2/F, No. 1-1, Jinfeng Road, Qingyang District, Chengdu	19 July 2018
10	Business Department of Haitong Securities Co., Ltd. in Dazhong Road, Tianshui	Business Department of Haitong Securities Co., Ltd. in Xinhua Road, Tianshui	1/F, Tianshui Feitian Meiju Hotel, No. 108, Xinhua Road, Qingzhou District, Tianshui, Gansu	27 July 2018
11	Business Department of Haitong Securities Co., Ltd. in Nanling Avenue, Chenzhou	Business Department of Haitong Securities Co., Ltd. in Qingnian Avenue, Chenzhou	Room 1013, 10/F, Building 1, Yangguang Ruicheng, No. 333, Qingnian Avenue, Bailudong Street, Suxian District, Chenzhou	11 October 2018
12	Business Department of Haitong Securities Co., Ltd. in Longhua Avenue, Chongqing	Business Department of Haitong Securities Co., Ltd. in Jinlong Road, Chongqing	Unit 3-Business 4, Building 10, Caixin City International, No. 261-21, Jinlong Road, Longxi Street, Yubei District, Chongqing	15 October 2018
13	Business Department of Haitong Securities Co., Ltd. in Biyang Avenue, Bijie	Business Department of Haitong Securities Co., Ltd. in Kaihang Road, Bijie	No. 25, 9/F, Lianbangjinzhou, No. 163, Kaihang Road, Sanshimi Avenue, Mayuan Road, Qixingguan District, Bijie, Guizhou	25 October 2018

## SECTION XIII INFORMATION DISCLOSURES OF SECURITIES COMPANY

No.	Name of business department before relocation	Name of business department after relocation	New address	License obtained on
14	Business Department of Haitong Securities Co., Ltd. in Zhongshan West Road, Shangrao	Business Department of Haitong Securities Co., Ltd. in Jiefang Road, Shangrao	Flat 1-2-1, No. 6, Jiefang Road, Xinzhou District, Shangrao, Jiangxi	26 October 2018
15	Business Department of Haitong Securities Co., Ltd. in Lehai Beili, Xiamen	Business Department of Haitong Securities Co., Ltd. in Zhanhong Road, Xiamen	Unit 2604, International Finance Centre, No. 82, Zhanhong Road, Siming District, Xiamen	30 October 2018
16	Business Department of Haitong Securities Co., Ltd. in Baogang Avenue, Guangzhou	Business Department of Haitong Securities Co., Ltd. in Xingang East Road, Guangzhou	Room 2601, No. 148, Xingang East Road, Haizhu District, Guangzhou	27 November 2018
17	Business Department of Haitong Securities Co., Ltd. in Kunlun Avenue, Yingkou	Business Department of Haitong Securities Co., Ltd. in Hudiequan Road, Yingkou	(Outlet 7#,10#/F, Yinhewan) No. 36-6, Hudiequan Road, Bayuquan District, Yingkou	27 December 2018

**(II) Inaugural administrative licencing matters of Directors, Supervisors and senior management**

No.	Date	Contents
1	March 2018	Shanghai Securities Regulatory Bureau of the CSRC issued the Reply of Approval on Qualification of Zhang Xinjun as Manager-level Senior Management of Securities Company (Hu Zheng Jian Xu Ke [2018] No. 30) to the Company, approving qualification of Zhang Xinjun as manager-level senior management of the Company



## SECTION XIII INFORMATION DISCLOSURES OF SECURITIES COMPANY

### (III) Other Administrative Permissions

<b>Date</b>	<b>Business qualification</b>	<b>Approval organisation</b>	<b>Title of approval document</b>	<b>No. of approval</b>
1 January 2018	Permission for Printing Publication of Internal Information	Shanghai Press and Publication Bureau	Permission Number: (K)0772 (valid for a year)	None

## II. RESULT OF CLASSIFICATION BY REGULATORY AUTHORITY

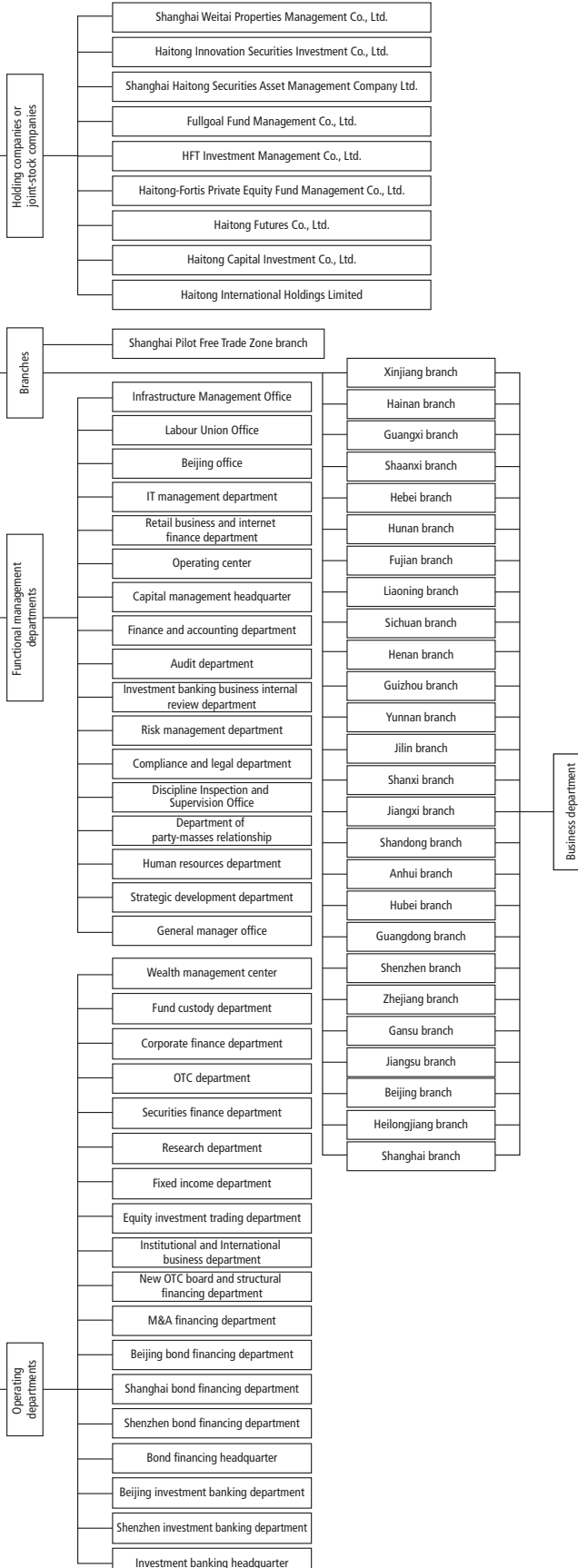
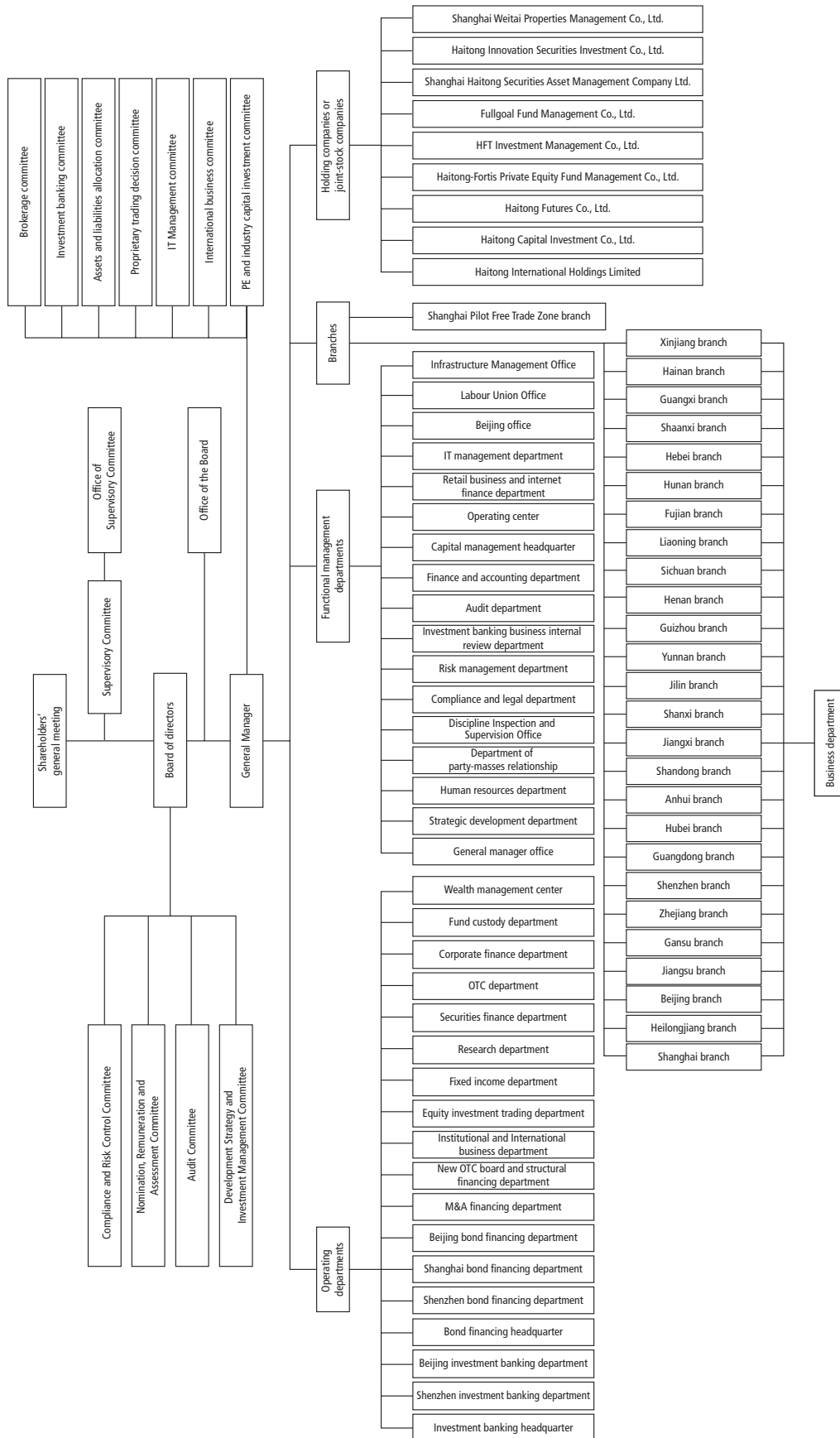
In 2018, the Company was rated as Grade AA under Category A company in classification and evaluation of securities firms.

By order of the Board  
**Haitong Securities Co., Ltd.**  
**ZHOU JIE**  
*Chairman*

Shanghai, the PRC  
 27 March 2019



# APPENDIX I ORGANIZATIONAL STRUCTURE CHART OF HAITONG SECURITIES CO., LTD.





## APPENDIX II

## List of branches

No.	Branch	Address	Year of establishment	Person in charge
1	Shanghai branch	19, 20/F, No. 285, Jianguo West Road, Xuhui District, Shanghai	2009	Cao Xuesong (曹雪松)
2	Zhejiang branch	4/F, Podium Building B, No. 138, Jiefang Road, Shangcheng District, Hangzhou, Zhejiang	2009	Jin Xiaoyang (金曉陽)
3	Jiangsu branch	No. 188, Guangzhou Road, Nanjing, Jiangsu	2009	Zhao Jianxiang (趙建祥)
4	Shenzhen branch	Rooms B, C, D & E, 49/F, Times Wealth Building, No. 88, Fuhua Third Road, Futian District, Shenzhen	2009	Wu Guohua (吳國華)
5	Guangdong branch	Rooms 901-902, 9/F, No. 8, Zhujiang West Road, Tianhe District, Guangzhou	2009	Cai Zhaopeng (蔡昭鵬)
6	Beijing branch	Room 601, 6/F, Fangyuan Building, No. A56, Zhongguancun South Street, Haidian District, Beijing	2009	Li Jiansheng (李建生)
7	Heilongjiang branch	10/F, Qilu International Hotel, No. 111, Zhongshan Road, Nangang District, Harbin	2009	Hu Haibin (胡海斌)
8	Gansu branch	10/F, Complex, No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu	2009	Han Gang (韓鋼)
9	Hubei branch	No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan	2009	Wang Song (王宋)
10	Anhui branch	6/F, Xingdu Building, crossing between Huangshan Road and Susong Road, Baohe District, Hefei, Anhui	2009	Sun Wei (孫偉)
11	Jilin branch	Building 4, Xinglan Community (No. 550, Dajing Road), Nangan District, Changchun	2011	Meng Qinglu (孟慶錄)
12	Jiangxi branch	Rooms 4504, 4505 & 4506, Lianfa Square Office Building, No. 129, Lvyin Road, Honggutan New Area, Nanchang, Jiangxi	2011	Xiao Pingping (肖萍萍)
13	Shanxi branch	No. 92, Xinjian Road, Xinghualing District, Taiyuan	2011	Wang Gang (王剛)
14	Yunnan branch	No. 162, Dongfeng West Road, Kunming, Yunnan	2011	Ye Kang (葉康)
15	Guizhou branch	No. 1, 12-14/F, North Tower, South-North Building of Tianheng Building, Tianheng City Garden, Fushui North Road, Yunyan District, Guiyang, Guizhou	2011	Zhong Jian (鐘健)
16	Henan branch	6/F, Haitong Securities Building, No. 16, Jingqi Road, Jinshui District, Zhengzhou, Henan	2011	Sun Xiaodong (孫曉東)

## APPENDIX II

No.	Branch	Address	Year of establishment	Person in charge
17	Shandong branch	2/F, Building D, Shunhuayuan, No. 28, Shungeng Road, Shizhong District, Jinan, Shandong	2011	Lin Peng (林鵬)
18	Sichuan branch	No. 12, Xiaohe Street, Qingyang District, Chengdu	2011	Liu Hongzhi (劉宏志)
19	Liaoning branch	No. 364, Daxi Road, Shenyang, Liaoning	2011	Zhang Long (張龍)
20	Fujian branch	Shop 01, 3/F, Building 1, Riyuexing Garden (now Yuanli Apartment), No. 278, Qunzhong Road, Chating Street, Taijiang District, Fuzhou, Fujian	2011	Lin Yupeng (林毓鵬)
21	Guangxi branch	2/F, Building 3, Yongzhou Hotel, No. 18, Minzhu Road, Xingning District, Nanning, Guangxi	2012	Lu Xiangyang (盧向陽)
22	Hunan branch	16/F, Yinhua Hotel, No. 618, Wuyi Avenue, Furong District, Changsha, Hunan	2012	Song Jiaqing (宋家清)
23	Shaanxi branch	West Area, 10/F, Haixing Intelligent Square, No. 11, Xixin Street, Xi'an	2012	Meng Liya (孟立亞)
24	Hebei branch	No. 2, Shifan Street, Qiaoxi District, Shijiazhuang	2012	Liu Tao (劉濤)
25	Hainan branch	AVIC Building, No. 15, Longkun North Road, Haikou	2014	Xing Weichang (邢維暢)
26	Xinjiang branch	No. 359, Xinyi Road, High-tech Industrial Development Zone (Xinshi District), Urumqi, Xinjiang	2014	Lin Hai (林海)
27	Shanghai pilot free trade zone branch	Room 1401, 14/F, No. 6, Jilong Road, China (Shanghai) Pilot Free Trade Zone	2014	Xu Li (許莉)



## APPENDIX II

### List of Securities Business Departments

No.	Business Department	Address	Person in charge
1	Anqing Huxin North Road Securities Business Department	Rooms 1-2, Building 7, Cinnamomum Camphora Along A Waterfront, West of Huxin North Road, Anqing Development Zone, Anqing, Anhui	Wang Huaiqi (汪懷其)
2	Bengbu Zhongrong Street Securities Business Department	Tianyuan Building, No. 146, Zhongrong Street, Bengbu, Anhui	Wang Lingwei (王凌巍)
3	Bozhou Xiyi Avenue Securities Business Department	No. 442, Xiyi Avenue, Bozhou	Hou Yundong (侯運動)
4	Chuzhou Tianchang East Road Securities Business Department	No. 549, Tianchang East Road, Chuzhou, Anhui	Shu Ya ming (束亞明)
5	Fuyang Qinghe East Road Securities Business Department	Building 1, Yiqingyuan, Qinghe East Road, Yingzhou District, Fuyang, Anhui	Wan Hao (萬浩)
6	Hefei Huangshan Road Securities Business Department	4/F, Xingdu Building, No. 262, Huangshan Road, Baohe District, Hefei, Anhui	Wang Liguó (王立國)
7	Huaibei Xiangshan Road Securities Business Department	Rooms 1017-1018 & 2014-2018, Huiyuan Garden, No. 122, Xiangshan Road, Huaibei	Huang Baohong (黃保宏)
8	Huainan Dongshan Middle Road Securities Business Department	Office Building of China Construction 4th Engineering 6th Corp. Limited, Zhongxing Community, Dongshan Street, Tianjia'an District, Huainan	Zhao Zhifeng (趙陟峰)
9	Liu'an Qiupai East Road Business Department	Shops S2-1022 & 2022, Outside Walking Street, Wanda Plaza, Qiupai East Road, Jin'an District, Liu'an	Qu Yue (曲樂)
10	Ma'anshan Hudong Middle Road Securities Business Department	9-302, Central Garden, Hudong Middle Road, Huashan District, Ma'anshan, Anhui	Zhang Haibo (張海波)
11	Tongling Changjiang Middle Road Securities Business Department	Room 203, No. 1112, Changjiang Middle Road, Tongguanshan District, Tongling, Anhui	Xiao Lianqi (肖連齊)
12	Wuhu Wenhua Road Securities Business Department	No. 44, Wenhua Road, Wuhu, Anhui	Xia Siqing (夏斯清)
13	Suzhou Bianhe Road Securities Business Department	2/F, West Gate of the Central Square Building, Bianhe Road, Yongqiao District, Suzhou, Anhui	Ni Shixu (倪士旭)
14	Xuancheng Jingting Road Securities Business Department	No. 299, Jingting Road, Xuanzhou District, Xuancheng, Anhui	Kuai Yongxiang (蒯永祥)
15	Hefei Feicui Road Securities Business Department	Room 301, Block 1, E2 Commercial Site, Zhonghuancheng, No. 2666, Shimen Road, Economic & Technological Development Area, Hefei, Anhui	Huang Fei (黃飛)

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No.	Business Department	Address	Person in charge
16	Beijing Guanghai Road Securities Business Department	Room 3-302, 3/F, Building 1, No. A8 Block, Guanghai Road, Chaoyang District, Beijing	Bai Rubin (白汝斌)
17	Beijing Workers Stadium North Road Securities Business Department	Unit 301, 3/F, No. 66, Workers Stadium North Road, Dongcheng District, Beijing	Ma Hui (馬暉)
18	Beijing Zhongguancun South Street Securities Business Department	No. A56, Zhongguancun South Street, Haidian District, Beijing	Liu Yi (劉毅)
19	Beijing Zhichun Road Securities Business Department	5/F, Satellite Building, No. A63, Zhichun Road, Haidian District, Beijing	Guo Ran (郭冉)
20	Beijing Pinggu Jinxiang Road Securities Business Department	1 & 3/F, No. 1, Jinxiang Road, Pinggu District, Beijing	Yu Hao (于昊)
21	Beijing Miyun Drum Tower East Street Securities Business Department	East Gate, No. 19-7, Drum Tower East Street, Miyun County, Beijing	Li Yuanzheng (李元正)
22	Beijing Fuwai Street Securities Business Department	A2010, No. 2, Fuchengmenwai Street, Xicheng District, Beijing	Meng Xiujian (孟秀娟)
23	Beijing Liangmaqiao Road Securities Business Department	S109A, Building 1, No. 50, Liangmaqiao Road, Chaoyang District, Beijing	Lin Yi (林鷗)
24	Fuan Yangtou Square North Road Securities Business Department	Office B05, 5/F, Building 1, Pearl along Riverside, No. 6, Yangtou Square North Road, Fu'an Urban Area, Fujian	Tang Yongbin (湯永彬)
25	Fuzhou Qunzhong Road Securities Business Department	3/F, Building 1, Riyuexing Garden (now Yuanli Apartment), No. 278, Qunzhong Road, Chating Street, Taijiang District, Fuzhou, Fujian	Chen Chaoying (陳朝迎)
26	Quanzhou Tian'an Road Securities Business Department	4/F, Youth Building, Tian'an Road, Quanzhou, Fujian	Zhu Chengkai (朱承凱)
27	Xiamen Zhanhong Road Securities Business Department	Unit 2604, International Financial Centre, No. 82, Zhanhong Road, Siming District, Xiamen	Liu Yanxiang (劉雁翔)
28	Sanming Liedong Street Securities Business Department	Rooms 1701 & 1703, 17/F, Block 11, Mudan Xincun, Meilie District, Sanming, Fujian	Guan Na (管娜)
29	Fuqing Qingchang Avenue Securities Business Department	Room 1206, Office Building A2, Wanda Plaza, Qingchang Avenue, Fuqing, Fuzhou, Fujian	Xue Li (薛立)
30	Longyan Longteng Middle Road Securities Business Department	Room 03, 2/F, Block 56-61, (City Center Garden Phase 3), No. 488, Longteng Middle Road, Xipi Town, Xinluo District, Longyan, Fujian	Su Weijian (蘇偉建)



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No.	Business Department	Address	Person in charge
31	Chengxian East Binhe Middle Road Securities Business Department	Room 21, 3/F, Unit 3, Guanshui Lijing Commercial and Residential Building, East Binhe Middle Road, Chengxian, Longnan, Gansu	Zhou Qiong (周瓊)
32	Jiayuguan Xinhua Middle Road Securities Business Department	No. 28, Xinhua Middle Road, Jiayuguan, Gansu	Wang Baolin (王保林)
33	Jinchang Changchun Road Securities Business Department	China Salt Administration Building, Changchun Road, Jinchang	Zhou Youxue (周有學)
34	Lanzhou Donggang East Road Securities Business Department	No. 2070, Donggang East Road, Chengguan District, Lanzhou, Gansu	Yang Junfeng (楊俊峰)
35	Lanzhou Wudu Road Securities Business Department	No. 157, Wudu Road, Chengguan District, Lanzhou, Gansu	Shen Ziqiang (沈自強)
36	Lanzhou Tianshui Road Securities Business Department	No. 376, Dingxi South Road, Chengguan District, Lanzhou, Gansu	Wu Yong (武勇)
37	Lanzhou Xijin West Road Securities Business Department	No. 9, Xijin West Road, Qilihe District, Lanzhou, Gansu	Xu Yi (徐毅)
38	Lanzhou Wanxin South Road Securities Business Department	No. 744, Wanxin South Road, Anning District, Lanzhou, Gansu	Wang Weida (王維達)
39	Qingyang West Street Securities Business Department	No. 22, West Street, Xifeng District, Qingyang, Gansu	Liu Ru (劉儒)
40	Tianshui Xinhua Road Securities Business Department	1/F, Tianshui Feitian Meiju Hotel, No. 108, Xinhua Road, Qingzhou District, Tianshui, Gansu	Zhou Jun (周軍)
41	Wuwei Qilian Avenue Securities Business Department	No.612, Qilian Avenue, Liangzhou District, Wuwei, Gansu	Qian Qian (錢茜)
42	Xining Wusi West Road Securities Business Department	2/F, Block 1, No. 22, Wusi West Road, Chengxi District, Xining, Qinghai	Ren Chengxin (任承新)
43	Dongguan Shenghe Road Securities Business Department	3/F, Tower B, Shenghe Square, Shenghe Road, Nancheng District, Dongguan, Guangdong	Wang Tieping (王鐵平)
44	Foshan Shunde Xinning Road Securities Business Department	Ground Floor, Times Building, No. 60, Xinning Road, Daliang, Shunde District, Foshan, Guangdong	Lin Peigui (林培貴)
45	Guangzhou Dongfeng West Road Securities Business Department	11/F & 12/F, Tower B, Teaching and Academic Exchange Center of Guangzhou Medical University, No. 195, Dongfeng West Road, Yuexiu District, Guangzhou	Zhuang Yiqun (莊益群)
46	Guangzhou Xingang East Road Securities Business Department	Room 2601, No. 148, Xingang East Road, Haizhu District, Guangzhou	Wang Zhenghe (王正和)

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No.	Business Department	Address	Person in charge
47	Guangzhou Zhujiang West Road Securities Business Department	9/F (whole floor), No. 8, Zhujiang West Road, Tianhe District, Guangzhou, Guangdong	Tian Xiangming (田向明)
48	Huizhou Yanda First Road Securities Business Department	Shop F05, 6/F, Tai'anju, 3rd Area, Dashi Lake, West of Yanda First Road, Huizhou	Wang Nanwang (王南望)
49	Jieyang Puning Xinhe East Road Securities Business Department	6th and 7th from South of the Westward Shop, Zhongxin Huafu, Xinhe East Road, Liusha, Puning, Jieyang, Guangdong	Huang Shuolin (黃燦林)
50	Shantou Zhongshan Middle Road Securities Business Department	Rooms 203 & 303, Fudu Building, No. 205, Zhongshan Road, Shantou, Guangdong	Zhu Shiqun (朱詩群)
51	Shaoguan Wenhua Street Securities Business Department	1/F of the Annex of Dageda Building, Wenhua Street, Zhenjiang District, Shaoguan	Lin Hanli (林漢利)
52	Zhongshan Yuelai South Road Securities Business Department	2F, Tower A1, No. 18, Yuelai South Road, Shiqi District, Zhongshan, Guangdong	Li Xiaoxiang (李曉翔)
53	Zhuhai Jiuzhou Avenue East Securities Business Department	Room F in a Shopping Mall, No. 1159, Jiuzhou Avenue East, Jida, Xiangzhou District, Zhuhai, Guangdong	Ma Chufeng (馬楚峰)
54	Guangzhou Huadu Fenghuang North Road Securities Business Department	Room 418, Yongyu Garden Hotel, No. 41, Fenghuang North Road, Xinhua Town, Huadu District, Guangzhou	Huang Haixiang (黃海翔)
55	Jiangmen Yingbin Avenue West Securities Business Department	Room 108, Oriental Plaza Building, No. 3, Yingbin Avenue West, Jiangmen	Zhang Ming (張鳴)
56	Guilin Lijiang Road Securities Business Department	4/F, No. 4, Lijiang Road, Qixing District, Guilin	Zhang Lingang (張林剛)
57	Nanning Minzhu Road Securities Business Department	1/F & 2/F, Yongzhou Hotel, No. 18, Minzhu Road, Xingning District, Nanning	Zhang Ning (張寧)
58	Liuzhou Guizhong Avenue Securities Business Department	No. 3-1, Building 7, Sunshine 100 City Square, No. 2, Guizhong Avenue (South), Liuzhou	Ma Jun (馬俊)
59	Qinzhou Zicai West Street Securities Business Department	Shop 119, Building 1, No. 69, Zicai West Street, Qinzhou	Bin Yifeng (賓一鋒)
60	Bijie Kaihang Road Securities Business Department	No. 25, 9/F, Lianbangjinzhuo, No. 163, Kaihang Road, Mayuan Avenue, Sanshimi Avenue, Qixinguan District, Bijie, Guizhou	Peng Xianhong (彭顯洪)
61	Guiyang Fushui North Road Securities Business Department	Tianheng City Garden, No. 66, Fushui North Road, Yunyan District, Guiyang, Guizhou	Zhang Kai (章凱)



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No.	Business Department	Address	Person in charge
62	Guiyang Changling North Road Securities Business Department	No. 4 & 5, 12/F, Building 1, Datang Dongyuan Wealth Square, No. 6, Changling North Road, Guanshanhu District, Guiyang	Yuan Liting (袁麗婷)
63	Liupanshui Qilin Road Securities Business Department	Shop 16, 1/F, Podium Building of Mingdu Business Square, Northeast of the Crossing between Zhongshan Middle Road and Qilin Avenue, Zhongshan District, Liupanshui, Guizhou	Zhou Hong (周洪)
64	Zunyi Zhonghua South Road Securities Business Department	3/F, Longjinggou Complex, Zunyi	Huang Zhiyi (黃志義)
65	Haikou Longkun North Road Securities Business Department	AVIC Building, No 15, Longkun North Road, Haikou, Hainan	Yang Haiyan (楊海燕)
66	Qinhuangdao Yingbin Road Securities Business Department	No. 100, Yingbin Road, Haigang District, Qinhuangdao	Gu Yue (谷悅)
67	Baoding Dongfeng East Road Securities Business Department	Ground Floor Shop, Renhe Yijia Apartment, No. 215, Dongfeng East Road, Baoding	Tian Hong (田紅)
68	Shijiazhuang Shifan Street Securities Business Department	No. 2, Shifan Street, Qiaoxi District, Shijiazhuang	Ma Xiaoyong (馬驍勇)
69	Shijiazhuang Zhaiying South Street Securities Business Department	Room 302, Commercial Complex, Caiku International Business Center, No. 41, Zhaiying South Street, Yuhua District, Shijiazhuang, Hebei	Ma Shang (馬上)
70	Cangzhou Shuxi Street Securities Business Department	Room 104, Building 10, Sunshine International, Yunhe District, Cangzhou, Hebei	Yang Haibin (楊海濱)
71	Luoyang Stadium Road Securities Business Department	No. 13, Stadium Road, Xigong District, Luoyang, Henan	Mao Yun (毛贇)
72	Shangqiu Minzhu Road Securities Business Department	Rooms 1309A & 1310A, Hualian International Trade Building, Minzhu Road, Liangyuan District, Shangqiu	Tian Dong (田冬)
73	Xuchang Jianshe Road Securities Business Department	3/F, 4/F & 5/F, Tianlun Building of Chunqiu Square, Jianshe Road, Xuchang, Henan	Zhao Limin (趙麗敏)
74	Zhengzhou Jingqi Road Securities Business Department	No. 16, Jingqi Road, Zhengzhou, Henan	Dong Yixing (凍逸興)
75	Zhengzhou Hanghai East Road Securities Business Department	Room 2207, Building 1, Futian Wealth Plaza, No. 1394, Hanghai East Road, Zhengzhou Economic and Technological Development Zone	Sun Shijie (孫世傑)



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No.	Business Department	Address	Person in charge
76	Jiaozuo Tanan Road Securities Business Department	Room 602, 6/F, Huarong International, No. 225, Zhanqian Road, Shanyang District, Jiaozuo	Meng Xinke (孟信可)
77	Daqing Chengfeng Avenue Securities Business Department	No. 126, Chengfeng Avenue, Ranghulu District, Daqing, Heilongjiang	Liu Yaxuan (劉亞軒)
78	Jiagedaqi Renmin Road Securities Business Department	No. 168, Renmin Road, Jiagedaqi District, Daxing Anling Area, Heilongjiang	You Mingzhe (尤明哲)
79	Jiamusi Baowei Road Securities Business Department	No. 263 (Baowei Community), Baowei Road, Qianjin District, Jiamusi, Heilongjiang	Han Min (韓民)
80	Daqing Kunlun Avenue Securities Business Department	No. 184, Kunlun Avenue, Ranghulu District, Daqing, Heilongjiang	Zhou Guohong (周國洪)
81	Daqing Jingliu Street Securities Business Department	No. 47, Jingliu Street, Sa'ertu District, Daqing, Heilongjiang	Li Gaoping (李高平)
82	Daqing Jingsan Street Securities Business Department	Business Outlets 1-1, 2, 3 and 4 and Business Outlets 2, 3 and 4, Block D, No. 29, Jingsan Street, Sa'ertu District, Daqing, Heilongjiang	Song Junjie (宋俊頡)
83	Daqing Honggang South Road Securities Business Department	Half of 2/F (Rooms 203, 204 & 205) & Room 402, No. 11, Honggang South Road, Honggang District, Daqing, Heilongjiang	Wang Xibin (王希斌)
84	Harbin Heping Road Securities Business Department	Heping Building, No. 2, Heping Road, Xiangfang District, Harbin, Heilongjiang	Zhao Qun (趙群)
85	Harbin Changjiang Road Securities Business Department	No. 99-5, Changjiang Road, Nangang District, Harbin	Guo Wei (郭威)
86	Harbin Gogol Avenue Securities Business Department	3/F & 4/F, No. 278, Gogol Avenue, Nangang District, Harbin	Qu Pu (曲譜)
87	Harbin Yiman Street Securities Business Department	2/F & 3/F, No. 80, Yiman Street, Nangang District, Harbin, Heilongjiang	Zhao Jia (趙家)
88	Harbin Tongjiang Street Securities Business Department	No. 218, Tongjiang Street, Daoli District, Harbin	Liu Songtao (劉松濤)
89	Harbin Xidazhi Street Securities Business Department	No. 40, Xidazhi Street, Nangang District, Harbin	Zou Qi (鄒祺)
90	Harbin Xinyang Road Securities Business Department	No. 240, Xinyang Road, Daoli District, Harbin	Sun Lei (孫雷)
91	Harbin Zhongshan Road Securities Business Department	No. 111, Zhongshan Road, Nangang District, Harbin	Li Yanli (李延立)
92	Harbin Hulan Beierdao Street Securities Business Department	No. 135, Beierdao Street, Group 2, Committee 4, Shengli Street, Hulan District, Harbin	Tian Ran (田然)



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No.	Business Department	Address	Person in charge
93	Harbin Shuangcheng Longhua Street Securities Business Department	Business Outlets 28, 29 and 30, 2/F, Block 11, Century Modern City, Longhua Street, Shuangcheng Town, Shuangcheng City	Yao Haitao (姚海濤)
94	Hegang East Jiefang Road Securities Business Department	No. 27, East Jiefang Road, Hegang, Heilongjiang	Hui Pengying (惠鵬鷹)
95	Heihe Zhongyang Street Securities Business Department	No. 258, Zhongyang Street, Aihui District, Heihe, Heilongjiang	Su Xianwu (蘇憲武)
96	Heihe Bei'an Jiaotong Road Securities Business Department	No. 81, Jiaotong Road, Bei'an, Heihe, Heilongjiang	Zhang Chi (張弛)
97	Heihe Nenjiang Nenxing Road Securities Business Department	No. 8, Nenxing Road, Nenjiang County, Heihe, Heilongjiang	Wang Nan (王楠)
98	Jixi Hulin Hongqi Street Securities Business Department	Central Community, Hongqi Street, Hulin Town, Jixi, Heilongjiang	He Ming (何明)
99	Jixi Zhongxin Street Securities Business Department	(No. 110, Zhongxin Street), Xiangyang Office, Jiguan District, Jixi, Heilongjiang	Guo Haifeng (郭海峰)
100	Jixi Mishan Dong'an Street Securities Business Department	No. 75, Dong'an Street, Mishan Town, Mishan, Jixi, Heilongjiang	Wang Yong (王勇)
101	Daxing'anling Mohe Zhenxing Road Securities Business Department	Post Office Building, Zhenxing Road, Xilinji Town, Mohe County, Daxing'anling Region, Heilongjiang	Yin Ziguang (尹子光)
102	Mudanjiang Mudan Street Securities Business Department	No. 1, Mudan Street, Xi'an District, Mudanjiang, Heilongjiang	Bao Xiuyong (包修勇)
103	Mudanjiang Ping'an Street Securities Business Department	No. 7, West Ping'an Street, Xi'an District, Mudanjiang, Heilongjiang	Liu Wei (劉威)
104	Mudanjiang Dongning Fanrong Street Securities Business Department	No. 75, Fanrong Street, Dongning Town, Dongning County, Mudanjiang, Heilongjiang	Su Xingli (蘇興利)
105	Mudanjiang Hailin Linhai Road Securities Business Department	2/F, BOC Building, No. 65, Linhai Road, Hailin, Mudanjiang, Heilongjiang	Yao Houyu (姚厚宇)
106	Mudanjiang Suifenhe Shancheng Road Securities Business Department	No. 101, Shancheng Road, Suifenhe, Mudanjiang, Heilongjiang	Geng Cheng (庚成)
107	Qiqihar Nehe Zhongxin Street Securities Business Department	No. 393, Zhongxin Street, Nehe, Qiqihar, Heilongjiang	Zhang Yandong (張彥東)
108	Qitaihe Datong Street Securities Business Department	No. 98, Datong Street, Taoshan District, Qitaihe, Heilongjiang	Dong Tao (董濤)
109	Qiqihar Bukui Street Securities Business Department	No. 42, Bukui Street, Longsha District, Qiqihar, Heilongjiang	Wang Hongwei (王宏偉)
110	Qiqihar Heping Road Securities Business Department	No. 81, Heping Road, Fularji District, Qiqihar, Heilongjiang	Liu Yi (劉義)
111	Qiqihar Anshun Road Securities Business Department	No. 6, Anshun Road, Longsha District, Qiqihar	Tian Yukun (田玉坤)

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No.	Business Department	Address	Person in charge
112	Shuangyashan Wuma Road Securities Business Department	No. 9, Wuma Road, Jianshan District, Shuangyashan, Heilongjiang	Wang Xiaofei (王曉飛)
113	Suihua Anda Niu Street Securities Business Department	No. 235, Niu Street, Anda, Suihua, Heilongjiang	Wang Xichen (王喜臣)
114	Suihua Kangzhuang Road Securities Business Department	Building 16, Century Ark, Kangzhuang Road, Beilin District, Suihua, Heilongjiang	Cheng Shihai (程世海)
115	Yichun Xinxing Middle Road Securities Business Department	Office Building of the City People's Congress, No. 90, Xinxing Middle Road, Yichun District, Yichun, Heilongjiang	Gu Chunming (顧春明)
116	Tianmen Xihu Road Securities Business Department	Part of 4/F, Building 2, Yinzuo Dijingwan (Tianmen CBD), Tianmen Xincheng, Xihu Road, Jingling Office, Tianmen	Fu Guopeng (付國鵬)
117	Macheng Jinqiao Avenue Securities Business Department	(3 storefronts on the east side of 1/F of the office building of the Development and Reform Bureau), No. 61, Jinqiao Avenue, Macheng, Hubei	Wang Sheng (萬晟)
118	Wuhan Zhaojiatiao Securities Business Department	No. 144, Zhaojiatiao, Erqi Street, Jiang'an District, Wuhan	Gu Hong (顧紅)
119	Wuhan Zhongbei Road Securities Business Department	No. 259, Zhongbei Road, Wuchang District	Zhou Lihua (周麗華)
120	Wuhan Shisheng Road Securities Business Department	6/F, Tower A, No. 1 (Te), Shisheng Road, Hanyang District, Wuhan, Hubei	Bai Lili (柏麗麗)
121	Xianning Qianshan Road Securities Business Department	No. 6, Qianshan Road, Xian'an District, Xianning, Hubei	Huang Li (黃莉)
122	Yueyang Baling Middle Road Securities Business Department	Room 703, 7/F, Haichuan Building, No. 450, Baling Middle Road, Yueyanglou District, Yueyang	Deng Jiabin (鄧家斌)
123	Chenzhou Qingnian Avenue Securities Business Department	Room 1013, 10/F, Building 1, Yangguang Ruicheng, No. 333, Qingnian Avenue, Bailudong Street, Suxian District, Chenzhou	Li Jie (李傑)
124	Changde Langzhou Road Securities Business Department	1/F & 6/F, No. 619, Langzhou Road, Binhu Community, Chuanzi River Sub-district, Wuling District, Changde, Hunan	Liu Jianle (劉建樂)
125	Hengyang Zhengyang South Road Securities Business Department	Rooms 604-607, 6/F, Office Building, Chongye Commercial Plaza, No. 2, Zhengyang South Road, Yanfeng District, Hengyang	Cao Songtao (曹松濤)
126	Shaoyang Minzhou Road Securities Business Department	2/F, Shaoyang Food Bureau, Minzhou East Road, Daxiang District, Shaoyang	Liu Lei (劉磊)
127	Changsha Wuyi Avenue Securities Business Department	1/F & 6/F, Yinhua Building, No. 618, Wuyi Avenue, Changsha, Hunan	Li Ying (李穎)



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No.	Business Department	Address	Person in charge
128	Dongfeng Dongfeng Road Securities Business Department	Rooms 1-4, Building 2, Tianxing Mingjun, Dongfeng Road, Dongfeng Town, Dongfeng County, Jilin	Wei Jinliang (蔚金良)
129	Jilin Nanjing Street Securities Business Department	No. 104, Nanjing Street, Jilin, Jilin	Song Baohong (宋寶紅)
130	Liaoyuan Renmin Avenue Securities Business Department	No. 2853, Renmin Avenue, Longshan District, Liaoyuan, Jilin	Qin Jingbo (秦靖波)
131	Songyuan Wulan Street Securities Business Department	No. 2356, Wulan Street, Ningjiang District, Songyuan, Jilin	Zhang Hongtao (張洪濤)
132	Changchun Dajing Road Securities Business Department	No. 550, Dajing Road, Nangan District, Changchun, Jilin	Zheng Weichao (鄭偉超)
133	Nantong Hai'an Zhongba South Road Securities Business Department	No. 19, Zhongba South Road, Hai'an Town, Hai'an County, Nantong, Jiangsu	Zhang Fugui (張富貴)
134	Changshu Haiyu North Road Securities Business Department	No. 20, Haiyu North Road, Changshu, Jiangsu	Su Jiahong (蘇加宏)
135	Changzhou Jianshen Road Securities Business Department	No. 16, Jianshen Road, Changzhou, Jiangsu	Chen Zhiping (陳志平)
136	Changzhou Guangdian West Road Securities Business Department	No. 310, Guangdian West Road, Wujin District, Changzhou, Jiangsu	Zhang Lei (張蕾)
137	Danyang Dongfang Road Securities Business	Outlets No. 5 & 6, Block 2, Dongfangjiayuan, Dongfang Road, Danyang, Jiangsu	Ma Yuefeng (馬躍峰)
138	Huai'an Huaihai North Road Securities Business Department	1/F, 4/F & 5/F, No. 50, Huaihai North Road, Huai'an, Jiangsu	Liang Liang (梁樑)
139	Jiangdu Longchuan South Road Securities Business Department	No. 139, Longchuan South Road, Xiannv Town, Jiangdu District, Yangzhou, Jiangsu	Xing Yi (邢翼)
140	Jiangyin Chaoyang Road Securities Business Department	1/F, No. 55, Chaoyang Road, Jiangyin, Jiangsu	Ren Xiaoping (任筱萍)
141	Kunshan Tongfeng Road Securities Business Department	No. 347 & 349, Tongfeng Road, Kunshan Economic & Technological Development Zone, Kunshan, Jiangsu	Xu Jianqiang (徐建強)
142	Liyang Yanshan Middle Road Securities Business Department	A1009-A1012, 1/F, Futian Center, No. 28, Yanshan Middle Road, Licheng Town, Liyang, Jiangsu	Jiang Yi (姜怡)
143	Lianyungang Julong South Road Securities Business Department	Room 110, Building 5, Junyue Fortune Plaza, No. 66, Julong South Road, Lianyungang, Jiangsu	Cun Jiansong (寸建松)
144	Nanjing Changfu Street Securities Business Department	No. 85-7, Changfu Street, Qinhuai District, Nanjing, Jiangsu	Zhang Songjie (張頌傑)
145	Nanjing Guangzhou Road Securities Business Department	No. 188, Guangzhou Road, Gulou District, Nanjing, Jiangsu	Qian Jingxing (錢敬星)

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No.	Business Department	Address	Person in charge
146	Nantong Renmin Middle Road Securities Business Department	No. 23-6, Renmin Middle Road, Nantong, Jiangsu	Liao Pengfei (繆鵬飛)
147	Suzhou Nanyuan North Road Securities Business Department	No. 31, Nanyuan North Road, Suzhou, Jiangsu	Yue Lan (岳嵐)
148	Taicang Renmin South Road Securities Business Department	Room 107, No. 168, Renmin South Road, Taicang, Jiangsu	Huang Yingda (黃穎達)
149	Taixing Dongrun Road Securities Business Department	No. 96, Dongrun Road, Taixing, Jiangsu	Huang He (黃何)
150	Taizhou Gulou South Road Securities Business Department	No. 315, Gulou South Road, Taizhou	Qiao Leizhang (喬雷璋)
151	Wuxi Jiefang East Road Securities Business Department	No. 1008, Jiefang East Road, Wuxi, Jiangsu	Zhang Wei (張瑋)
152	Suqian Huanghe South Road Securities Business Department	Room C104, Podium, Building 6, Jintian Lake Spring, Huanghe South Road, Sucheng District, Suqian	Wang Xuefeng (王雪峰)
153	Xuzhou Zhongshan North Road Securities Business Department	3/F, Longtai Building, No. 12, Zhongshan North Road, Gulou District, Xuzhou, Jiangsu	Chen Lu (陳律)
154	Yancheng Jianjun Middle Road Securities Business Department	Room 201 (1), Complex Building, No. 68, Jianjun Middle Road, Yancheng, Jiangsu	Ding Zhendong (丁振東)
155	Yangzhou Wenhe South Road Securities Business Department	No. 69, Wenhe South Road, Yangzhou, Jiangsu	Xue Xiaoyan (薛曉雁)
156	Yixing Jiubin South Road Securities Business Department	No. 63, 65 & 67, Jiubin Avenue, Yicheng Street, Yixing, Jiangsu	Pan Jun (潘駿)
157	Zhangjiagang Donghuan Road Securities Business Department	No. 123, Donghuan Road, Yangshe Town, Zhangjiagang, Jiangsu	Zhu Cuihong (朱翠紅)
158	Zhenjiang Zhongshan West Road Securities Business Department	No. 53, Zhongshan West Road, Zhenjiang, Jiangsu	Liang Zheng (梁正)
159	Suzhou Lize Road Securities Business Department	Room 102, Building 4, Zhentai Community, Songling Town, Wujiang District, Suzhou, Jiangsu	Shu Mingqing (舒明清)
160	Yangzhou Baoying Suzhong South Road Securities Business Department	No. 6-1038, Jinqiao Life Plaza, Baoying County, Yangzhou, Jiangsu	Cui Junlan (崔俊嵐)
161	Yancheng Funing Shanghai Road Securities Business Department	Store (C), 1F, 05 & 06, Building 1, Jincheng Times Square, Groups 2 & 3, Cuiwan Village, Fucheng Town, Funing County, Yancheng	Xu Qijun (徐其俊)
162	Yingtian Wuzhou Road Securities Business Department	No. 9, Building 1, Xihujiayuan, West of Wuzhou Road, Yingtian, Jiangxi	Li Heng (李衡)
163	Jingdezhen Cidu Avenue Securities Business Department	2/F, No. 1279, Cidu Avenue, Changjiang District, Jingdezhen, Jiangxi	Liang Wei (梁巍)



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No.	Business Department	Address	Person in charge
164	Jiujiang Xunyang East Road Securities Business Department	3/F, No. 93, Xunyang East Road, Xunyang District, Jiujiang, Jiangxi	Hong Haiyan (洪海燕)
165	Fuzhou Gandong Avenue Securities Business Department	No. 1533, South Extension of Gandong Avenue, Fuzhou, Jiangxi	Zhong Jinying (鐘瑾瑛)
166	Ganzhou Hongqi Avenue Securities Business Department	Building 1, No. 25, Hongqi Avenue, Zhanggong District, Ganzhou, Jiangxi	Liang Xiaohui (梁小輝)
167	Nanchang Nanjing East Road Securities Business Department	Rooms 211-213, 2/F, Office Building, Tianyu International Building, No. 399, Nanjing East Road, Qingshanhu District, Nanchang, Jiangxi	Li Shuibao (黎水保)
168	Pingxiang Chuping East Road Securities Business Department	27/F, Comprehensive Building 1 No. 98, Chu Ping East Road, An Yuan District, Pingxiang City, Jiangxi	Yu Li (余立)
169	Shangrao Jiefang Road Securities Business Department	Flat 1-2-1, No. 6, Jiefang Road, Xinzhou District, Shangrao, Jiangxi	Li Yong (李勇)
170	Xinyu Laodong South Road Securities Business Department	No. 1, Laodong South Road, Xinyu, Jiangxi	Zhu Farong (朱發榮)
171	Xinyu Fenyi Fuqian Road Securities Business Department	Building 101/320/370-374, Block A, North Side of Qianyang Road (Dream Times Square)/East Side of Fuqian Road, Fenyi County, Xinyu, Jiangxi	Fei Jun (費俊)
172	Yichun Yuanshan Middle Road Securities Business Department	No. 695, Yuanshan Middle Road, Yuanzhou District, Yichun, Jiangxi	Li Guohua (李國華)
173	Yingkou Hudiequan Road Securities Business Department	Outlet 7#,10#/F, Yinhewan, No. 36-6, Hudiequan Road, Bayuquan District, Yingkou	Jiang Dayong (姜大勇)
174	Dandong Xingwu Road Securities Business Department	Building 1, Bawai, Xingwu Road, Zhenxing District, Dandong	Wang Liang (王亮)
175	Anshan Erdao Street Securities Business Department	No. 90, Erdao Street, Tiedong District, Anshan	Liu Na (劉娜)
176	Anshan Xiuyan Securities Business Department	Street No. 1 (located in West Unit 7 and Unit 8 of Building No. 2 Yihua Yuan), Xiuyan Town, Xiuyan Manchu Autonomous County, Anshan, Liaoning	Hong Yangyang (洪洋洋)
177	Dalian Tianjin Street Securities Business Department	No. 91, Tianjin Street, Zhongshan District, Dalian	Wei Chunmin (衛春敏)
178	Panjin Shuangxin Road Securities Business Department	No. 177, Shuangxing South Road, Xinglongtai District, Panjin, Liaoning	Zhao Hong (趙宏)
179	Shenyang Daxi Road Securities Business Department	No. 364, Daxi Road, Shenhe District, Shenyang	Wang Qun (王群)
180	Yingkou Liaohe Street Securities Business Department	No. 9, Liaohe Plaza, Zhanqian District, Yingkou, Liaoning	Qiao Wenxuan (喬文選)

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No.	Business Department	Address	Person in charge
181	Hohhot Xinhua East Street Securities Business Department	3/F, Hecheng Information Complex, No. 395, Dongfeng Road, Xincheng District, Hohhot, Inner Mongolia Autonomous Region	Ning Guojiong (甯國炯)
182	Weifang Dongfeng West Street Securities Business Department	Room 2-04, Building 1, No. 277, Dongfeng West Street, Weicheng District, Weifang, Shandong	Lv Zhicheng (呂志成)
183	Linyi Suhe South Street Securities Business Department	Room 103, Building 1, No. 46-1, Suhe South Street, Lanshan District, Linyi, Shandong	Yang Lei (楊雷)
184	Dongying Beiyi Road Securities Business Department	E-106, No. 730, Dongying Beiyi Road, Dongying, Shandong	Xu Yongjian (許永健)
185	Feicheng Xincheng Road Securities Business Department	No. 039, Xincheng Road, Feicheng, Shandong	Zhang Yong (張勇)
186	Jinan Quancheng Road Securities Business Department	No. 13, Quancheng Road, Lixia District, Jinan, Shandong	Zhang Dong (張東)
187	Jinan Hongjialou South Road Securities Business Department	No. 25, Hongjialou South Road, Jinan, Shandong	Yu Hongquan (于洪泉)
188	Qingdao Hangzhou Road Securities Business Department	No. 20, Hangzhou Road, Qingdao	Jiao Xuefu (焦學福)
189	Qingdao Zhanshan First Road Securities Business Department	No. 25, Zhanshan First Road, Shinan District, Qingdao	Cui Ning (崔寧)
190	Qingdao Jiushui East Road Securities Business Department	No. 9, Jiushui East Road, Licang District, Qingdao	Kong Liqian (孔力前)
191	Tai'an Daizong Street Securities Business Department	No. 10, Daizong Street, Tai'an, Shandong	Xiang Ying (項穎)
192	Weihai Gaoshan Street Securities Business Department	No. 2, Gaoshan Street, Weihai, Shandong	Tang Qiong (湯瓊)
193	Yantai Jiefang Road Securities Business Department	No. 164, Jiefang Road, Zhifu District, Yantai	Qi Jieyun (齊潔雲)
194	Zaozhuang Yanshan Road Securities Business Department	Room 22, Building 1, D Area, Yanshan International, Yanshan Road, Xuecheng District, Zaozhuang, Shandong	Wang Peng (王鵬)
195	Zibo Shihua Securities Business Department	No. 69, Qilu Chemical Mall, Linzi District, Zibo, Shandong	Zhao Qun (趙群)
196	Zibo Tongji Street Securities Business Department	No. 140, Tongji Street, Zichuan District, Zibo, Shandong	Qi Simin (戚思敏)
197	Zibo Huantai Dongyue Road Securities Business Department	2/F & 3/F, North Tower, Qishang Bank Building, No. 1251, Dongyue Road, Huantai County, Zibo, Shandong	Liu Shanshun (劉善順)
198	Liaocheng Dongchang Road Securities Business Department	No. 10, Dongchang Road, Liaocheng Economic & Technological Development Area, Shandong	Wang Pengfei (王鵬飛)



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No.	Business Department	Address	Person in charge
199	Jincheng Huanghua Street Securities Business Department	First Floor Shop 3, Block 5, Hongxiang Community, Huanghua Street, Jincheng Urban Area, Shanxi	Yang Yong (楊勇)
200	Taiyuan Xinjian Road Securities Business Department	No. 92, Xinjian Road, Xinghualing District, Taiyuan	Liu Hong (劉虹)
201	Taiyuan Yingze West Street Securities Business Department	No. 386, Yingze West Street, Wanbailin District, Taiyuan	Zhang Bin (張濱)
202	Taiyuan North Street Securities Business Department	No. 109, North Street, Xinghualing District, Taiyuan	Feng Bing (馮冰)
203	Taiyuan Pingyang Road Securities Business Department	No. 105, Pingyang Road, Xiaodian District, Taiyuan, Shanxi	Du Yuqing (都玉清)
204	Datong Xiangyang Street Securities Business Department	No. 14, Xiangyang West Street, Datong Urban Area	Li Wei (李瑋)
205	Baoji Jing'er Road Securities Business Department	No. 45, Jing'er Road, Weibin District, Baoji, Shaanxi	Liu Zhao (劉昭)
206	Hanzhong Tianhan Avenue Securities Business Department	BOC Building, Tianhan Avenue, Hantai District, Hanzhong, Shaanxi	Wang Peng (王鵬)
207	Xi'an Xixin Street Securities Business Department	10/F (No. 11001 & 11002 of Building 1), Haixing Intelligent Square, No. 11, Xixin Street, Xincheng District, Xi'an	He Qian (何倩)
208	Xianyang Shenxing North Road Securities Business Department	3/F, International Commerce Building, No. 1, Shenxing North Road, Qingdu District, Xianyang	Zhao Chenguang (趙晨光)
209	Yulin Yuyang Securities Business Department	Room 01, 3/F, No. 112, Shangjun North Road, Yuyang District, Yulin, Shaanxi	Chen Jian (陳劍)
210	Yinchuan Wenhua West Street Securities Business Department	Room B07, 12/F, Block B, Yinchuan International Trade Center, No.106, Wenhua West Street, Xingqing District, Yinchuan	Wu Wei (武偉)
211	Shanghai Xuanhua Road Securities Business Department	Room 709-711, No. 300, Xuanhua Road, Changning District, Shanghai	Lu Kaiyi (陸凱誼)
212	Shanghai Yuyao Road Securities Business Department	No. 420, Yuyao Road, Shanghai	Zhu Ying (朱瑩)
213	Shanghai Huangpu District Fuzhou Road Securities Business Department	No. 536 & 542, Fuzhou Road and Room P04, No. 1, Lane 188, Zhejiang Middle Road of Huangpu District, Shanghai	Du Jun (杜峻)
214	Shanghai Jiading District Fuhai Road Securities Business Department	1/F, No. 758, Fuhai Road, Jiading District, Shanghai	Yuan Yangdong (袁楊棟)
215	Shanghai Rushan Road Securities Business Department	Room 402, No. 233, Rushan Road, China (Shanghai) Pilot Free Trade Zone	Zhou Wei (周韡)
216	Shanghai Mudanjiang Road Securities Business Department	No. 263-265, Mudanjiang Road, Shanghai	Lu Yan (陸雁)



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No.	Business Department	Address	Person in charge
217	Shanghai Gonghexin Road Securities Business Department	Room 101-1, No. 3703, Gonghexin Road, Jing'an District, Shanghai	Lu Zhiquan (盧志泉)
218	Shanghai Zhongdeqiao Road Securities Business Department	No. 2, Zhongdeqiao Road, Shanghai	Cheng Lin (成琳)
219	Shanghai Putuo District Dahua First Road Securities Business Department	Rooms 101-104, 1/F & Rooms 201&202, 2/F, No. 6, Lane 239, Dahua First Road, Putuo District, Shanghai	Wang Yuan (王園)
220	Shanghai Gushan Road Securities Business Department	1/F & 2/F, No. 619, Gushan Road, China (Shanghai) Pilot Free Trade Zone	Zhang Yingxia (張穎俠)
221	Shanghai Pingwu Road Securities Business Department	No. 38, Pingwu Road, Shanghai	Zhang Minghua (張明華)
222	Shanghai Putuo District Yichuan Road Securities Business Department	1/F & 2/F, No. 363, Yichuan Road, Putuo District, Shanghai	Zhao Hui (趙輝)
223	Shanghai Jianguo West Road Securities Business Department	No. 285, Jianguo West Road, Shanghai	Zhou Jie (周杰)
224	Shanghai Hongkou District Xinjian Road Securities Business Department	Ground floor & 2/F, No. 207 & 211, Xinjian Road, Hongkou District, Shanghai	Xie Wenbo (謝聞博)
225	Shanghai Yangpu District Zhengben Road Securities Business Department	No. 141, Zhengben Road, Yangpu District, Shanghai	Yu Yonghao (于永浩)
226	Shanghai Putuo District Macao Road Securities Business Department	4/F, No. 351, Macao Road, Putuo District, Shanghai	Du Shuang (杜霜)
227	Shanghai Zhoujiazui Road Securities Business Department	No. 3255, Zhoujiazui Road, Shanghai	Li Jianxin (李建新)
228	Shanghai Hefei Road Securities Business Department	No. 293, Hefei Road, Huangpu District, Shanghai	Wang Yi (王軼)
229	Shanghai Tianping Road Securities Business Department	No. 137, Tianping Road, Shanghai	Zhang Feng (張峰)
230	Shanghai Yutian Branch Road Securities Business Department	1-3/F, No. 11, Yutian Branch Road, Shanghai	Lin Jia (林佳)
231	Shanghai Jinshan District Weiqing West Road Securities Business Department	No. 612, Weiqing West Road, Jinshan District, Shanghai	Liao Dayu (廖達愉)
232	Shanghai Nanqiao Securities Business Department	No. 381, Nanxing Road, Nanqiao Town, Fengxian District, Shanghai	Zhang Cheng (張成)
233	Shanghai Putuo District Tongchuan Road Securities Business Department	Rooms 102, 125 & 335-345, No. 1601-1613 (singular), Tongchuan Road, Putuo District, Shanghai	Xu Lan (徐嵐)
234	Shanghai Minhang District Wuzhong Road Securities Business Department	B101, 4/F, Building 6, No. 1059, Wuzhong Road, Minhang District, Shanghai	Si Anxiang (司安祥)



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No.	Business Department	Address	Person in charge
235	Shanghai Changning District Tianshan West Road Securities Business Department	1/F & 2/F, No. 169, Tianshan West Road, Changning District, Shanghai	Gu Hongman (谷紅漫)
236	Shanghai Xuhui District Liuzhou Road Securities Business Department	Rooms 109, 703-2, 704, No. 138, Liuzhou Road, Xuhui District, Shanghai	Mao Jiajun (茅佳俊)
237	Shanghai Putuo District Zaoyang Road Securities Business Department	3/F, Building 1, No. 182, Zaoyang Road, Putuo District, Shanghai	Yang Na (楊娜)
238	Shanghai Nanxiang Town Securities Business Department	1/F, No. 681, Deyuan Road and 2/F, No. 3, Lane 685, Deyuan Road of Nanxiang Town, Shanghai	Wang Yajun (王雅君)
239	Shanghai Songjiang District Renmin North Road Securities Business Department	No. 5, 6, 7 & 8, Lane 171, Renmin North Road, Songjiang District, Shanghai	Song Lina (宋麗娜)
240	Shanghai Qingpu District Qinghu Road Securities Business Department	No. 780, Qinghu Road, Qingpu District, Shanghai	Xu Jun (徐俊)
241	Shanghai Pudong New Area Chengshan Road Securities Business Department	No. 1250, Chengshan Road, Pudong New Area, Shanghai	Zhang Renci (張任慈)
242	Shanghai Chongming County Beimen Road Securities Business Department	No. 408, Beimen Road, Chengqiao Town, Chongming County, Shanghai	Sang Jialei (桑佳磊)
243	Shenzhen Baoyuan Road Securities Business Department	1902F, Tower D, Baoyuan Wealth Harbor Building, Xixiang Street, Bao'an District, Shenzhen	Luo Jianbin (羅建斌)
244	Shenzhen Haide Third Road Securities Business Department	Rooms 801-805, 806A, 810A, 811 & 812, 8/F, Tiley Central Plaza, East of Houhai Avenue, Nanshan District, Shenzhen	Zeng Yunbei (曾韻蓓)
245	Shenzhen Branch Hongling Middle Road Securities Business Department	3/F, Zhongshen International Building, No. 2068, Hongling Middle Road, Guiyuan Street, Luohu District, Shenzhen	Wang Lei (王磊)
246	Shenzhen Branch Huaifu Road Securities Business Department	Room 500, Nanguang Building, No. 1004, Huaifu Road, Huahang Community, Huaqiang North Road, Futian District, Shenzhen	Bao Weihua (包衛華)
247	Shenzhen Branch Hongling South Road Securities Business Department	Shop B, 3/F, Podiums No. 4 & 5, Hongling Building, Hongling South Road, Futian District, Shenzhen	Wan Lanming (萬蘭明)

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No.	Business Department	Address	Person in charge
248	Shenzhen Jintian Road Securities Business Department	1603-1605, Building 1, Huanggang Business Centre/Excellence Century Centre, Southeast of the Junction of Fuhua 3rd Road and Jintian Road, Fushan Community, Futian Subdistrict, Futian District, Shenzhen	Huang Kun (黃琨)
249	Shenzhen Jingtian Road Securities Business Department	Room 201, Ruida Court, Jingtian Road, Lotus Subdistrict, Futian District, Shenzhen	Shen Zhijing (沈志敬)
250	Shenzhen Shennan Avenue Securities Business Department	Rooms 2912-2915, Tower A, Century Holiday Plaza, No. 9030, Shennan Avenue, Nanshan District, Shenzhen	Liu Chanji (劉燁吉)
251	Shenzhen Gaoxin South Road Four Securities Business Department	6/F, ZTE R&D Building, No. 13 Gaoxin South Road Four, Nanshan District, Shenzhen	Lin Xinmeng (林新孟)
252	Shenzhen Meilin Road Securities Business Department	Room 1209, Building A, Phase 2, South Area, Excellence Meilin Central Plaza, Meilin Road, Meilin Street, Futian District, Shenzhen	Nie Jing (聶靜)
253	Chengdu Renmin West Road Securities Business Department	No. 96, Renmin West Road, Chengdu	Qi Yan (齊燕)
254	Chengdu Jinfeng Road Securities Business Department	No. 201, 2/F, No. 1-1, Jinfeng Road, Qingyang District, Chengdu	Xu Jianqiang (徐建強)
255	Shuangliu Tanghu South Road Securities Business Department	3/F, Tianma Building, No. 244, Section 2 of Tanghu South Road, Dongsheng Street, Shuangliu District, Chengdu	Lang Yanyan (郎妍妍)
256	Leshan Tongyue Road Securities Business Department	Room 1, Building 2, No. 26, Tongyue Road, Shizhong District, Leshan	Tan Yulong (譚喻隆)
257	Mianyang Changhong Avenue Securities Business Department	No. 21 (2/F, Block 4, Future City), North Section of Changhong Avenue, Fucheng District, Mianyang	Yang Zhou (楊洲)
258	Zigong Dangui Street Securities Business Department	No. 407, 4/F, Taifeng Commercial Exhibition Center, No. 80, Dangui Street, Ziliujing District, Zigong, Sichuan	Chen Xuefeng (陳雪峰)
259	Tianjin Shuishang Gongyuan East Road Securities Business Department	5/F, Building 2, Ninghui Building, Shuishang Gongyuan East Road, Nankai District, Tianjin	Ren Yu (任宇)
260	Urumqi Xinyi Road Securities Business Department	No. 359, Xinyi Road, Urumqi	He Qun (何群)
261	Karamay Junggar Road Securities Business Department	No. 220, Junggar Road (Building 8, New Word Commercial Street), Karamay, Xinjiang	Liu Cengceng (劉層層)



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No.	Business Department	Address	Person in charge
262	Shihezi Beiyi Road Securities Business Department	No. 240, 4th Area, Beiyi Road, Shihezi, Xinjiang	Dong Weijun (董偉軍)
263	Dali Yuhua Road Securities Business Department	No. 13, Yuhua Road, Xiaguan Town, Dali, Dali Bai Autonomous Prefecture, Yunnan	Tong Wanlin (童婉琳)
264	Mile Ranweng Road Securities Business Department	Yixin Community Shop, Ranweng West Road, Mile, Honghe Prefecture, Yunnan	Chen Junjun (陳俊駿)
265	Jinghong Galan Middle Road Securities Business Department	No. 100, Galan Middle Road, Jinghong, Yunnan	Luo Yanping (羅豔萍)
266	Kunming Dongfeng West Road Securities Business Department	No. 162, Dongfeng West Road, Kunming	Zheng Li (鄭莉)
267	Kunming Hongjin Road Securities Business Department	No. 101, Unit 1, Block 26, Jiangdong Ankangyuan, Wuhua District, Kunming, Yunnan	Wang Guanhang (王冠珩)
268	Lishui Chengdong Road Securities Business Department	No. 34 & 36-1, Chengdong Road, Liandu District, Lishui, Zhejiang	He Zheng (何崢)
269	Xinchang Qixing Road Securities Business Department	No. 166, Qixing Road, Xinchang County	Zhang Minhua (張敏華)
270	Hangzhou Jiefang Road Securities Business Department	No. 138, Jiefang Road, Hangzhou, Zhejiang	Wang Zheng (汪崢)
271	Hangzhou Huancheng West Road Securities Business Department	No. 46-2, Huancheng West Road, Xiacheng District, Hangzhou, Zhejiang	Ma Jie (馬劫)
272	Hangzhou Wenhua Road Securities Business Department	No. 208, Wenhua Road, Chengxiang Street, Xiaoshan District, Hangzhou, Zhejiang	Chen Jianrong (陳建榮)
273	Hangzhou Guali Dongling North Road Securities Business Department	No. 160, Dongling North Road, Guali Town, Xiaoshan District, Hangzhou, Zhejiang	Mu Miao (繆苗)
274	Huzhou Wuxing Shangcheng West Road Securities Business Department	No. 119, Shangcheng West Road, Zhili Town, Huzhou	Shen Qi (沈祺)
275	Huzhuo Shaoxi West Road Securities Business Department	No. 265 & 267, Shaoxi West Road, Shaoxi Commercial & Residential Building 2, Wuxing District, Huzhou, Zhejiang	Gao Jinxiao (高金嘯)
276	Jiaxing Zhongshan West Road Securities Business Department	No. 850 & 852, Zhongshan West Road, Jiaxing, Zhejiang	Wang Honglei (王宏雷)
277	Ninbo Zhongshan East Road Securities Business Department	Room (2-1), No. 922, Zhongshan East Road, Yinzhou District, Ningbo, Zhejiang	Wang Yong (王甬)
278	Ningbo Jiefang North Road Securities Business Department	No. 136-148, Jiefang North Road, Haishu District, Ningbo	Mei Wensheng (梅文勝)
279	Cixi Bei'erhuan East Road Securities Business Department	Room 108, No. 204-206, Bei'erhuan East Road, Gutang Street, Cixi	Cao Jingbo (曹靜波)

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No.	Business Department	Address	Person in charge
280	Shangyu Shimin Avenue Securities Business Department	1-3/F, No. 678, Shimin Road, Baiguan Avenue, Shangyu District, Shaoxing, Zhejiang	Pan Wei (潘偉)
281	Shaoxing Laodong Road Securities Business Department	No. 158, Laodong Road, Shaoxing, Zhejiang	Xu Bin (徐斌)
282	Shengzhou Xiqian Street Securities Business Department	No. 89, Xiqian Street, Shengzhou, Zhejiang	Zou Ning (鄒寧)
283	Wenzhou Jinxiu Road Securities Business Department	Room 106, 1st Building, Ruikang Commercial Building, Jinxiu Road, Lucheng District, Wenzhou	Zhu Lianyou (朱連有)
284	Yiwu Binwang Road Securities Business Department	1-3/F, No. 226, Binwang Road, Choucheng Street, Yiwu, Zhejiang	Pan Jingxia (潘靜霞)
285	Zhoushan Huancheng West Road Securities Business Department	No. 96, Huancheng West Road, Dinghai District, Zhoushan	Yu Zhihao (俞智浩)
286	Zhuji Genta East Road Securities Business Department	No. 24, Genta East Road, Jiyang Street, Zhuji	Gao Hongming (高洪銘)
287	Jinhua Huixi Street Securities Business Department	No. 196, Huixi Street, Chengbei Subdistrict, Wucheng District, Jinhua, Zhejiang	Wang Haiqin (汪海琴)
288	Taizhou Shifu Avenue Securities Business Department	No. 251-1 & 251-2, Shifu Avenue, Taizhou	Pan Ran (潘然)
289	Chongqing Jinlong Road Securities Business Department	Unit 3-Business 4, Building 10, Caixin City International, No. 261-21, Jinlong Road, Longxi Street, Yubei District, Chongqing	Li Guojing (李國靜)
290	Chongqing Zhongshan 3rd Road Securities Business Department	No. 152, Zhongshan 3rd Road, Shangqingsi, Yuzhong District, Chongqing	Yuan Dengfeng (苑登峰)



## INDEPENDENT AUDITOR'S REPORT

# Deloitte.

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TO THE SHAREHOLDERS OF  
**HAITONG SECURITIES CO.,LTD.**

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

### Opinion

We have audited the consolidated financial statements of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 244 to 440, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## INDEPENDENT AUDITOR'S REPORT

### Key Audit Matters

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

#### Key audit matter

#### How our audit addressed the key audit matter

#### Impairment of advances to customers on margin financing, financial assets held under resale agreements and finance lease receivables

We identified the impairment of advances to customers on margin financing, financial assets held under resale agreements, debt instruments at fair value through other comprehensive income and finance lease receivables, as a key audit matter due to the aggregate amount of above mentioned assets is material and it requires the application of judgment and estimation by the management to determine the amount of expected credit loss ("ECL").

The measurement model for ECL involves significant judgement and estimation, including determination of whether there is significant increase in credit risk, the probability of default (PD) and loss given default (LGD), and incorporation of forward-looking information.

As disclosed in note 40, 32 and 25, respectively, as at 31 December 2018, the Group held advances to customers on margin financing, which primarily comprise loans to margin clients, of RMB49,656 million, less impairment allowance of RMB795 million; financial assets held under resale agreements of RMB83,413 million, with impairment loss of RMB734 million; finance lease receivables of RMB63,358 million, less impairment allowance of RMB1,705 million.

Our procedures in relation to the impairment of advances to customers on margin financing, financial assets held under resale agreements, and finance lease receivables included:

- Understanding of the Group's credit risk management and practice in relation to the adoption of measurement model for ECL under IFRS 9, including model building and approval, ongoing model monitoring, validation and governance;
- Evaluating the appropriateness of the measurement model for ECL, including the critical assumptions and parameters used in the model, the determination of significant increase in credit risk, and forward-looking information used in the model; and on a sample basis testing the key data sources used;
- For credit-impaired assets under Stage 3, on a sample basis, assessing the reasonableness of the estimates in the amount and timing future of cash flows made by the management by reference to operating performances of the borrowers and realization of collateral etc.



## INDEPENDENT AUDITOR'S REPORT

### Key audit matter

### How our audit addressed the key audit matter

#### **Impairment of goodwill**

We identify the impairment of goodwill as a key audit matter due to the significant judgement applied by the management in assessing impairment.

As disclosed in Note 4, the Group determines whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value.

As at 31 December 2018, the Group held goodwill of RMB4,046 million. Details of goodwill and impairment testing on goodwill are set out in Note 19 and 21 respectively.

Our audit procedures in relation to management's impairment assessment of goodwill included:

- Understanding the process and controls of management over the impairment assessment of goodwill;
- Examining the estimation of the value in use of the cash-generating units to which goodwill has been allocated and understanding the financial positions and future prospects of the cash-generating units;
- Evaluating the reasonableness of key inputs and assumptions adopted by management in estimations of value in use of the cash-generating units, including projections of cash flows, discount rates and growth rates applied by checking to approved financial budget of those cash-generating units, evaluating the reasonableness of these budgets with reference to the past performance as well as our knowledge of the business; and
- Involving internal valuation experts in reviewing the appropriateness of the discounted rates used in the calculation of value in use of certain cash-generating units.



## INDEPENDENT AUDITOR'S REPORT

### Key audit matter

### How our audit addressed the key audit matter

#### **Consolidation of structured entities**

We identified consolidation of structured entities as a key audit matter as the Group holds a number of interests in structured entities including collective asset management schemes and investment funds where the Group is involved as investment manager. The Group applied significant judgement in determining whether the Group should consolidate these structured entities. The effect of consolidation or not of these structured entities will have significant impact on the consolidated financial statements of the Group.

As disclosed in Note 4, for collective asset management schemes and investment funds where the Group involves as manager, the Group assesses whether the combination of investments it holds together with its remuneration, credit enhancement and other interests creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

Details of consolidated structured entities and unconsolidated structured entities are set out in Notes 23 and 26 to the consolidated financial statements respectively.

Our procedures in relation to consolidation of structured entities included:

- Understanding the process and controls of management in assessing consolidation of structured entities;
- Checking the information used by the management in accessing the consolidation criteria of significant structured entities such as the related service agreements and other agreements of interests in structured entities newly established, invested or with changes in the proportion of ownership interest or constructed terms during the year.
- Assessing management judgement in assessing consolidation for each of the significant structured entities and the conclusion about whether or not the consolidation criteria are met.



## INDEPENDENT AUDITOR'S REPORT

### Other Information

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

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

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

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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



## INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in the independent auditor's report is Man Kai Sze.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

27 March 2019

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Commission and fee income	6	9,852,687	11,225,083
Interest income	7	14,248,355	12,448,565
Finance lease income		3,698,412	2,675,752
Investment income and gains (net)	8	3,483,520	9,327,622
		<b>31,282,974</b>	35,677,022
Other income and gains	9	7,386,733	5,647,480
Total revenue, gains and other income		<b>38,669,707</b>	41,324,502
Depreciation and amortisation	10	(558,166)	(485,337)
Staff costs	11	(5,929,829)	(6,400,066)
Commission to account executives		(504,297)	(688,301)
Brokerage transaction fees and other services expenses	12	(834,025)	(980,583)
Interest expenses	13	(13,126,493)	(11,458,392)
Impairment losses on assets	14	–	(1,686,658)
Expected credit losses	14	(1,622,167)	–
Impairment losses on other assets		(25,060)	–
Other expenses		(8,532,013)	(7,444,255)
Total expenses		<b>(31,132,050)</b>	(29,143,592)
Share of results of associates and joint ventures		<b>32,709</b>	708,487
Profit before income tax		<b>7,570,366</b>	12,889,397
Income tax expense	15	(1,799,658)	(3,013,794)
Profit for the year		<b>5,770,708</b>	9,875,603
Attributable to:			
Owners of the Company		<b>5,211,093</b>	8,618,423
Non-controlling interests		<b>559,615</b>	1,257,180
Including: Perpetual notes		<b>49,897</b>	44,880
		<b>5,770,708</b>	9,875,603
Earnings per share (Expressed in RMB per share)			
– Basic	16	<b>0.45</b>	0.75
– Diluted	16	<b>0.45</b>	0.74



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	5,770,708	9,875,603
Other comprehensive (expense)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains on defined benefit obligations	(20,166)	3,838
Fair value loss on		
equity instruments measured at fair value through		
other comprehensive income	(2,039,573)	–
Income tax impact	509,893	–
Subtotal	(1,549,846)	3,838
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operation	17,109	(227,373)
Fair value gain/(loss) on hedges of net investments in foreign operations	152,998	(354,999)
Fair value gain/(loss) on:		
Available-for-sale investments		
Net fair value changes during the year	–	4,148,546
Reclassification adjustment to profit or loss on disposal	–	(2,524,774)
Reclassification adjustment to profit or loss upon impairment	–	247,963
Income tax relating to components of other comprehensive income	–	(475,647)
Debt instruments measured at fair value through		
other comprehensive income		
Net fair value changes during the year	60,018	–
Reclassification adjustment to profit or loss on disposal	(38,370)	–
Reclassification adjustment to profit or loss for expected credit losses	34,636	–
Income tax relating to components of other comprehensive income	(31,274)	–
Share of other comprehensive expenses of associates and		
joint ventures	(231,985)	(23,825)
Subtotal	(36,868)	789,891
Other comprehensive (expenses)/income for the year (net of tax)	(1,586,714)	793,729
Total comprehensive income for the year	4,183,994	10,669,332
Attributable to:		
Owners of the Company	3,092,588	10,136,216
Non-controlling interests	1,091,406	533,116
Including: Perpetual notes	50,065	44,880
	4,183,994	10,669,332

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018/12/31 RMB'000	2017/12/31 RMB'000
Non-current assets			
Property and equipment	17	6,044,423	2,862,370
Investment properties	18	213,429	16,864
Goodwill	19	4,046,190	3,863,520
Other intangible assets	20	517,795	494,053
Investments accounted for using equity method	24	5,312,881	10,062,370
Finance lease receivables	25	30,824,664	22,212,628
Available-for-sale investments	27	–	31,725,358
Equity instruments at fair value through other comprehensive income	28	15,228,291	–
Debt instruments at fair value through other comprehensive income	29	5,768,988	–
Debt instruments measured at amortised cost	30	679,214	–
Financial assets at fair value through profit or loss	31	18,368,406	952,338
Financial assets held under resale agreements	32	11,002,055	21,204,776
Other loans and receivables	33	5,647,819	8,098,697
Loans and advances	34	3,744,563	4,086,897
Deferred tax assets	35	3,241,202	2,851,450
Deposits with exchanges	36	1,381,539	1,347,701
Restricted bank balances and cash	37	739,260	675,568
Other assets	39	1,179,204	1,076,587
<b>Total non-current assets</b>		<b>113,939,923</b>	111,531,177



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018/12/31 RMB'000	2017/12/31 RMB'000
Current assets			
Advances to customers on margin financing	40	48,861,009	61,560,953
Accounts receivable	41	8,257,214	7,442,000
Finance lease receivables	25	30,828,048	21,323,548
Available-for-sale investments	27	–	9,503,398
Debt instruments at fair value through other comprehensive income	29	9,362,242	–
Debt instruments measured at amortised cost	30	4,082	–
Financial assets at fair value through profit or loss	31	158,837,008	98,904,357
Derivative financial assets	42	1,780,757	2,610,612
Held-to-maturity investments	43	–	78,718
Financial assets held under resale agreements	32	71,676,737	75,345,093
Other loans and receivables	33	14,043,711	21,147,878
Loans and advances	34	618,924	751,375
Other receivables and prepayments	44	3,031,728	5,544,270
Placements to banks and other financial institutions	45	31,144	679,092
Deposits with exchanges	36	5,601,350	7,180,974
Clearing settlement funds	46	7,646,561	7,982,729
Deposits with central banks	47	2,426,236	3,445,696
Deposits with other banks	47	253,908	316,134
Bank balances and cash	37	97,423,052	99,358,329
<b>Total current assets</b>		<b>460,683,711</b>	423,175,156
<b>Total assets</b>		<b>574,623,634</b>	534,706,333



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018/12/31 RMB'000	2017/12/31 RMB'000
Current liabilities			
Borrowings	48	52,489,162	45,511,447
Short-term financing bills payables	49	26,537,968	29,426,762
Bonds payable	50	41,923,410	14,739,105
Accounts payable to brokerage clients	51	71,893,535	83,774,388
Customer accounts	52	2,160,326	3,750,621
Contract liabilities	53	284,005	–
Other payables and accruals	54	13,455,014	17,457,987
Provisions	55	145,107	167,343
Tax liabilities		1,535,337	2,198,613
Financial liabilities at fair value through profit or loss	56	23,862,827	20,031,099
Derivative financial liabilities	42	2,218,774	3,495,454
Financial assets sold under repurchase agreements	57	56,372,903	32,645,727
Placements from banks and other financial institutions	58	8,482,577	5,450,000
Deposits from central banks		470,838	468,138
Deposits from other banks	59	19,950	293,733
<b>Total current liabilities</b>		<b>301,851,733</b>	259,410,417
<b>Net current assets</b>		<b>158,831,978</b>	163,764,739
<b>Total assets less current liabilities</b>		<b>272,771,901</b>	275,295,916
Equity			
Share capital	60	11,501,700	11,501,700
Capital reserve		56,405,921	56,357,980
Investment revaluation reserve	61	–	2,071,805
Investment revaluation reserve of financial assets measured at fair value through other comprehensive income (“FVTOCI reserve”)	61	(400,148)	–
Translation reserve		(803,870)	(445,275)
General reserves	62	19,819,343	17,971,724
Retained profits	62	31,335,629	30,297,545



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018/12/31 RMB'000	2017/12/31 RMB'000
Equity attributable to owners of the Company		<b>117,858,575</b>	117,755,479
Non-controlling interests		<b>12,327,344</b>	11,938,825
Including: Perpetual notes		<b>1,266,286</b>	1,264,427
<b>Total equity</b>		<b>130,185,919</b>	129,694,304
Non-current liabilities			
Long-term payables	63	<b>6,664,935</b>	4,813,699
Deferred tax liabilities	35	<b>206,710</b>	867,320
Long-term borrowings	48	<b>27,714,158</b>	15,810,543
Bonds payable	50	<b>98,223,447</b>	115,419,164
Other payables and accruals	54	<b>1,197,086</b>	1,216,847
Financial liabilities at fair value through profit or loss	56	<b>2,338,127</b>	712,400
Financial assets sold under repurchase agreements	57	–	400,000
Placements from banks and other financial institutions	58	<b>6,241,519</b>	6,361,639
<b>Total non-current liabilities</b>		<b>142,585,982</b>	145,601,612
<b>Total equity and non-current liabilities</b>		<b>272,771,901</b>	275,295,916

The consolidated financial statements on pages 244 to 440 were approved and authorised for issue by the Board of Directors on 27 March 2019 and signed on behalf by:

\_\_\_\_\_  
*Chairman of Board*

\_\_\_\_\_  
*Executive Director and  
General Manager*

\_\_\_\_\_  
*Chief Financial Officer*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company							Non-controlling interests				
	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Investment revaluation reserve RMB'000	FVTOCI reserve RMB'000	Translation reserve RMB'000	General reserve RMB'000 (Note 62)	Retained profits RMB'000	Total RMB'000	Share of net assets of subsidiaries RMB'000	Perpetual notes RMB'000 (Note b)	Total RMB'000	Total equity RMB'000
At 31 December 2017	11,501,700	56,357,980	2,071,805	-	(445,275)	17,971,724	30,297,545	117,755,479	10,674,398	1,264,427	11,938,825	129,694,304
Adjustment (see Note 3)	-	-	(2,071,805)	1,359,762	-	46,329	262,836	(402,878)	(26,989)	-	(26,989)	(429,867)
At 1 January 2018 (restated)	11,501,700	56,357,980	-	1,359,762	(445,275)	18,018,053	30,560,381	117,352,601	10,647,409	1,264,427	11,911,836	129,264,437
Profit for the year	-	-	-	-	-	-	5,211,093	5,211,093	509,718	49,897	559,615	5,770,708
Other comprehensive (expense)/ income for the year	-	-	-	(1,759,910)	(358,595)	-	-	(2,118,505)	531,623	168	531,791	(1,586,714)
Total comprehensive (expense)/ income for the year	-	-	-	(1,759,910)	(358,595)	-	5,211,093	3,092,588	1,041,341	50,065	1,091,406	4,183,994
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(6,256)	-	(6,256)	(6,256)
Shares issued under convertible bond and share option schemes of a subsidiary (Note 70)	-	8,273	-	-	-	-	-	8,273	3,589	-	3,589	11,862
Appropriation to general reserves	-	-	-	-	-	1,801,290	(1,801,290)	-	-	-	-	-
Cash dividends recognised as distribution (Note 67)	-	-	-	-	-	-	(2,645,391)	(2,645,391)	-	-	-	(2,645,391)
Distribution to non-controlling interests and perpetual notes holders	-	-	-	-	-	-	12,456	12,456	(562,168)	(49,826)	(611,994)	(599,538)
Share-based payments of a subsidiary	-	-	-	-	-	-	-	-	31,515	-	31,515	31,515
Purchase of shares held under the share award scheme of a subsidiary	-	(34,801)	-	-	-	-	-	(34,801)	(19,928)	-	(19,928)	(54,729)
Others	-	74,469	-	-	-	-	(1,620)	72,844	(74,444)	1,620	(72,824)	25
At 31 December 2018	11,501,700	56,405,921	-	(400,148)	(803,870)	19,819,343	31,335,629	117,858,575	11,061,058	1,266,286	12,327,344	130,185,919

Note a: Capital reserve of the Group represents primarily (i) the share premium arisen from the issuance of the Company's shares, and (ii) the difference between the considerations paid over the proportionate share of net assets attributable to the acquisition of additional interests in subsidiaries.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company							Non-controlling interests				
	Share capital RMB'000	Capital reserve RMB'000 (Note a)	Investment revaluation reserve RMB'000	FVTOCI reserve RMB'000	Translation reserve RMB'000	General reserve RMB'000 (Note 62)	Retained profits RMB'000	Total RMB'000	Share of net assets of subsidiaries RMB'000 (Note b)	Perpetual notes RMB'000	Total RMB'000	Total equity RMB'000
At 1 January 2017	11,501,700	56,338,470	784,435	-	(675,698)	15,849,581	26,331,639	110,130,127	10,571,548	1,256,726	11,828,274	121,958,401
Profit for the year	-	-	-	-	-	-	8,618,423	8,618,423	1,212,300	44,880	1,257,180	9,875,603
Other comprehensive income (expense) for the year	-	-	1,287,370	-	230,423	-	-	1,517,793	(724,064)	-	(724,064)	793,729
Total comprehensive income for the year	-	-	1,287,370	-	230,423	-	8,618,423	10,136,216	488,236	44,880	533,116	10,669,332
Contribution from non-controlling interests	-	186	-	-	-	-	-	186	115,939	-	115,939	116,125
Perpetual notes related expenses	-	(2,474)	-	-	-	-	-	(2,474)	(1,848)	175	(1,673)	(4,147)
Appropriation to general reserves	-	-	-	-	-	2,122,143	(2,122,143)	-	-	-	-	-
Cash dividend distribution to non-controlling interests	-	-	-	-	-	-	-	-	(470,667)	(37,354)	(508,021)	(508,021)
Share-based payments	-	21,798	-	-	-	-	-	21,798	(28,810)	-	(28,810)	(7,012)
Cash dividends recognised as distribution (Note 67)	-	-	-	-	-	-	(2,530,374)	(2,530,374)	-	-	-	(2,530,374)
At 31 December 2017	11,501,700	56,357,980	2,071,805	-	(445,275)	17,971,724	30,297,545	117,755,479	10,674,398	1,264,427	11,938,825	129,694,304

*Note b:* Shares of net assets of subsidiaries include the perpetual notes issued by the subsidiaries. The total balance of perpetual notes issued by the subsidiaries as at 31 December 2016 amounted to RMB1,257 million, which mainly include 1) the balance of perpetual notes amounted to EUR3.7 million, equivalent to RMB27 million issued by Haitong Bank S.A. and 2) the balance of perpetual notes issued by Haitong UniTrust International Leasing Co., Ltd. amounted to RMB1,230 million on 11 March 2016.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 <i>RMB'000</i> (audited)	2017 <i>RMB'000</i> (audited)
<b>OPERATING ACTIVITIES</b>		
Profit before income tax	<b>7,570,366</b>	12,889,397
Adjustments for		
Interest expenses	<b>10,542,979</b>	11,458,392
Share of results of associates and joint ventures	<b>(32,709)</b>	(708,487)
Depreciation and amortisation	<b>558,166</b>	485,337
Impairment losses, net of reversal	–	1,686,658
Impairment losses of other assets	<b>25,060</b>	–
Expected credit loss	<b>1,622,167</b>	–
Share-based payment of a subsidiary	<b>31,515</b>	(7,012)
Losses on disposal of property and equipment and other intangible assets	<b>4,378</b>	9,111
Foreign exchange losses, net	<b>(219,127)</b>	225,472
Interest income from debt instruments at fair value through other comprehensive income	<b>(504,409)</b>	–
Interest income from debt instruments measured at amortised cost	<b>(4,176)</b>	–
Dividend income from equity instruments at fair value through other comprehensive income	<b>(1,295,120)</b>	–
Net gains arising from debt instruments at fair value through other comprehensive income	<b>(38,370)</b>	–
Net realised gains and income arising from FVTPL	<b>(255,613)</b>	–
Net gains arising from available-for-sale investments	–	(3,109,382)
Gain on other bond investments and held-to-maturity investments	–	(1,943,531)
Fair value change of financial instruments at fair value through profit or loss	<b>2,018,938</b>	1,329,411
Others	<b>34,963</b>	–
<b>Operating cash flows before movements in working capital</b>	<b>20,059,008</b>	22,315,366



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 <i>RMB'000</i> (audited)	2017 <i>RMB'000</i> (audited)
Increase in finance lease receivables	(18,852,762)	(7,374,095)
Increase in financial assets at fair value through profit or loss and derivative financial assets	(53,089,941)	(1,924,656)
Decrease/(increase) in financial assets held under resale agreements	13,823,235	(12,190,855)
Decrease/(increase) in other loans and receivables	4,218,718	(6,909,800)
Decrease in loans and advances	738,324	404,397
Decrease in advances to customers on margin financing	12,640,598	1,527,042
(Increase)/decrease in accounts receivables and other receivables and prepayments	(1,030,637)	749,393
Decrease in placements to banks and other financial institutions	645,918	26,756
Decrease in deposits with exchanges	1,275,615	423,356
Increase/(decrease) in deposit with central banks	(11,894)	244,522
Decrease/(increase) in restricted bank deposits	472,277	(317,196)
Decrease in cash held on behalf of clients	9,387,287	19,001,084
Decrease in accounts payable to brokerage clients and other payables and accruals	(10,089,070)	(21,006,819)
Decrease in customer accounts	(1,590,295)	(1,006,952)
Increase in contract liabilities	284,005	-
(Decrease)/increase in provisions	(57,871)	42,721
Increase/(decrease) in financial liabilities at fair value through profit or loss and derivative financial liabilities	4,177,394	(17,896,132)
Increase/(decrease) in financial assets sold under repurchase agreements	24,757,635	(10,686,000)
Increase in placements from banks and other financial institutions	3,437,117	3,002,177
Increase in deposit from central banks	2,700	29,730
Decrease/(increase) in deposit from other banks	(273,783)	279,147
<b>Cash from/(used) in operations</b>	<b>10,923,578</b>	<b>(31,266,814)</b>
Income taxes paid	(2,995,607)	(2,898,507)
Interest paid	(2,730,139)	(3,048,135)
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>5,197,832</b>	<b>(37,213,456)</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 <i>RMB'000</i> (audited)	2017 <i>RMB'000</i> (audited)
<b>INVESTING ACTIVITIES</b>		
Dividends received from associates and other investments	141,420	187,611
Dividends received from equity instruments at fair value through other comprehensive income	1,295,120	–
Interest from from debt instruments at fair value through other comprehensive income and from debt instrument at amortised cost	491,886	–
Purchases of property and equipment and other intangible assets	(3,708,379)	(1,825,444)
Purchases of investment property	(250,067)	–
Proceeds on disposal of property and equipment	11,015	6,383
Purchase of investments accounted for using equity method	(212,765)	(2,180,386)
Proceeds from partial disposal of an associate and joint venture	71,251	1,077,513
Net increase in available-for-sale investments	–	21,627,919
Purchases of		
equity instruments at fair value through other comprehensive income	(355,965)	–
debt instruments at fair value through other comprehensive income	(33,534,956)	–
debt instruments measured at amortised cost	(682,726)	–
financial assets at fair value through profit or loss	(572,030)	–
Proceeds from disposal of		
debt instruments at fair value through other comprehensive income	28,866,394	–
financial assets at fair value through profit or loss	1,668,576	–
Net cash flows from acquisition of subsidiaries	–	(746,965)
Losses on disposing interest in a subsidiary	–	(1,442)
Proceeds from other loan and receivables and held to maturity	–	16,748,763
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(6,771,226)</b>	<b>34,893,952</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 <i>RMB'000</i> (audited)	2017 <i>RMB'000</i> (audited)
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(3,179,705)	(2,894,357)
Capital injection from non-controlling shareholders		6,244	20,036
Payments on capital returned to non-controlling shareholders		(9,000)	–
Borrowings raised		59,126,986	42,535,412
Proceeds from short term bonds, non-convertible bonds and others		111,865,436	102,211,553
Interest paid for borrowings and bonds		(10,632,184)	(8,307,021)
Interest paid for perpetual bonds		(49,826)	(39,828)
Issuance cost paid for short-term bonds, non-convertible bonds and others		(168,596)	(109,090)
Other expenses for perpetual bonds		–	(1,673)
Repayment of borrowings, short-term financing bills payables, non-convertible bonds and others		(149,301,671)	(129,450,084)
Proceeds from share issued upon exercise of share options of a subsidiary		9,899	8,275
Purchase of shares held under the share award scheme of a subsidiary		(54,729)	–
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>7,612,854</b>	<b>3,973,223</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>6,039,460</b>	<b>1,653,719</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>31,820,863</b>	<b>34,330,647</b>
Effect of foreign exchange rate changes		250,359	(4,163,503)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	38	<b>38,110,682</b>	<b>31,820,863</b>
Total interest paid		(13,412,149)	(11,394,984)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. GENERAL INFORMATION OF THE GROUP

Haitong Securities Co., Ltd (the “Company”) was transformed from Shanghai Haitong Securities Company (上海海通証券公司), which was established in 1988, to a limited liability company upon the authorisation by the People’s Bank of China in September 1994 and had changed its name to 海通証券有限公司. In December 2001, the Company was further transformed to a joint-stock company upon the approval from China Securities Regulatory Commission (the “CSRC”). In January 2002, the Company changed its name from 海通証券有限公司 to Haitong Securities Co., Ltd. (海通証券股份有限公司). In June 2007, the Company’s merger with former Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) was approved by the CSRC, and was listed on the Shanghai Stock Exchange in July in the same year, with its name changed to “Haitong Securities”. On 27 April 2012, 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”).

The address of the Company’s registered office and the principal place of business is Haitong Securities Building, No. 689 Guangdong Road, Shanghai, the People’s Republic of China (the “PRC”).

The Company and its subsidiaries (“The Group”) are principally engaged in securities and futures contracts dealing and broking, proprietary trading, margin and other financing, underwriting, assets management, direct equity investments, finance lease business, banking services, corporate finance business, individual finance business, fund management business and provision of investment advisory and consultancy services.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements, the Group has applied the following new and amendments to International Financial Reporting Standards (“IFRSs”) issued by the IASB which are relevant to the Group for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

In addition, the Group has applied Amendments to IFRS 9 *Prepayment Features with Negative Compensation* which will be mandatorily effective for the financial year beginning on 1 January 2019.

The application of the above amendments to IFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements except for the following:

### 2.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initial applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other component of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue*.

#### 2.1.1 Summary of effects arising from initial recognition of IFRS 15

The Group has various types of revenue and income as disclosed in notes 6, 7 and 9. Interest income, a significant component of the Group's revenue, is not within the scope of IFRS 15. The Group has assessed the impact of IFRS 15 on the other revenue and concluded that there is no significant impact on retained profits or consolidated financial statements of the Group except that the advances received for bulk trading business amounting to RMB209,625,000 should be reclassified as contract liabilities on 1 January 2018 from initial application of IFRS 15.

The following table summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial positions as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### 2.1 IFRS 15 Revenue from Contracts with Customers (continued)

##### 2.1.1 Summary of effects arising from initial recognition of IFRS 15 (continued)

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without Application of IFRS 15
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Other payables and accruals	13,455,014	284,005	13,739,019
Contract liabilities	284,005	(284,005)	–

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without Application of IFRS 15
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES			
Increase in contract liabilities	284,005	(284,005)	–
Decrease in accounts payable to brokerage clients and other payables and accruals	(10,029,663)	284,005	(9,745,658)

#### 2.2 IFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and other items (for example, lease receivables, loan commitments and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity respectively, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

In addition, the Group applied the hedge accounting prospectively.

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### 2.2 IFRS 9 Financial Instruments and the related amendments (continued)

#### 2.2.1 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale	Held-to-maturity	Financial assets at FVTPL required by IAS 39/IFRS 9	Financial assets designated as FVTPL under IAS 39	Equity instruments at FVTOCI	Debt instruments at FVTOCI	Amortised cost (previously classified as loans and receivables)	Finance lease receivables	Provision for loan commitments	Deferred tax assets/liabilities
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Closing balance at 31 December 2017 – IAS 39	41,228,756	78,718	79,656,640	20,200,055	-	-	326,168,162	43,536,176	14,484	1,984,130
Effect arising from initial application of IFRS 9:										
Reclassification:										
From available-for-sale	(41,228,756)	-	19,519,675	-	16,911,899	3,398,557	1,398,625	-	-	-
From held-to-maturity	-	(78,718)	78,718	-	-	-	-	-	-	-
From financial assets at FVTPL required by IAS 39	-	-	13,677,113	(20,200,055)	-	6,522,942	-	-	-	-
From loans and receivables	-	-	7,100,383	-	-	-	(7,100,383)	-	-	-
Re-measurement:										
Impairment under ECL model	-	-	-	-	-	-	(469,712)	(14,165)	217	115,569
Re-allocation to general reserve	-	-	-	-	-	-	-	-	-	-
Re-allocation of NCI	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	(1,913)	-	-	-	-
Opening balance at 1 January 2018	-	-	120,032,529	-	16,911,899	9,919,586	319,996,692	43,522,011	14,701	2,099,699

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### 2.2 IFRS 9 Financial Instruments and the related amendments (continued)

##### 2.2.1 Summary of effects arising from initial application of IFRS 9 (continued)

###### (a) Available-for-sale (“AFS”) investments

*From AFS equity investments to fair value through other comprehensive income (“FVTOCI”)*

The Group elected to present in OCI for the fair value changes of some of its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB16,911,899,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gains of RMB1,643,441,000 relating to those investments previously carried at fair value continued to accumulate in FVTOCI reserve.

*From AFS equity and other investments to fair value through profit or loss (“FVTPL”)*

At the date of initial application of IFRS 9, the Group’s equity and other investments of RMB19,357,494,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gains of RMB804,930,000 (after tax) relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained profits as at 1 January 2018.

*From AFS debt investments to FVTPL*

Bond investments with a fair value of RMB162,181,000 were reclassified from available-for-sale investments to financial assets at FVTPL. This is because even though the Group’s business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the IFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. Related fair value losses of RMB5,589,000 (after tax) were transferred from the AFS reserve to retained profits as at 1 January 2018.

*From AFS debt investments to amortised cost*

At the date of initial application of IFRS 9, certain investments in bond investments of RMB1,398,625,000 were reclassified from available-for-sale to amortised cost since the Group’s business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding (“SPPI”). The directors of the Company considered that the fair value of these debt investments was approximate to their amortised cost.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### 2.2 IFRS 9 Financial Instruments and the related amendments (continued)

#### 2.2.1 Summary of effects arising from initial application of IFRS 9 (continued)

(a) *Available-for-sale ("AFS") investments (continued)*

*From AFS debt investments to FVTOCI*

Bonds investments with a fair value of RMB3,398,557,000 were reclassified from available-for-sale investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value gains of RMB1,351,000 continued to accumulate in the FVTOCI reserve as at 1 January 2018.

(b) *Financial assets at FVTPL and/or designated at FVTPL*

At the date of initial application of IFRS 9, the Group's debt investments of RMB6,522,942,000 were reclassified from financial assets held for trading to financial assets at FVTOCI. This is because on the transition date, the management of the Group made an assessment on the business model of these debt investments, and concluded that the purpose of these investments is for liquidity management purpose, and the objective of business model is achieved by both collection contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest to the principal amount outstanding. The fair value losses of RMB6,919,000 (after tax) relating to those debt investments previously carried at retained profits were adjusted to FVTOCI reserve as at 1 January 2018.

Remaining investments are equity securities held for trading and derivatives which are required to be classified as FVTPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of IFRS 9.

(c) *Held-to-maturity investments*

At the date of initial application of IFRS 9, unlisted debt securities previously classified as held-to-maturity investments are reclassified and measured at FVTPL upon application of IFRS 9. This is because on the transition date, the board of directors made an assessment on the business model of these debt investments, and concluded that the Group intended to hold within a business model whose objective is achieved by selling of these assets. In addition, the board of directors considered that the fair value of these debt investments is approximate to their carrying value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### 2.2 IFRS 9 Financial Instruments and the related amendments (continued)

##### 2.2.1 Summary of effects arising from initial application of IFRS 9 (continued)

###### (d) *Loans and receivables*

Loans and receivables of RMB7,100,383,000 previously classified as loans and receivables was reclassified to FVTPL upon the application of IFRS 9 because its cash flows do not represent solely payments of principal and interest on the principal amount outstanding. At the date of initial recognition, the Board of Directors considered that the fair value of these loans and receivables is approximate to their carrying value.

###### (e) *Impairment under ECL model*

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivable. To measure the ECL, account receivables have been grouped based on shared credit risk characteristics and their aging. The Group collectively used a provision matrix with appropriate aging groupings to assess the ECL.

Loss allowances for other financial assets at amortised cost mainly comprise of financial assets held under resale agreements and placements to banks and other financial institutions are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition, except for advances to customers on margin financing, finance lease receivables and loans and advances which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB500,484,000 has been recognised against retained profits for the Group. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets including loans and advances, finance lease receivables, other loans and receivables, bank balances and cash, deposits with other banks, advances to customers on margin financing, financial assets held under resale agreements, placements to banks and other financial institutions, other receivables, accounts receivable, loan commitments and financial guarantee contracts as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

### 2.2 IFRS 9 Financial Instruments and the related amendments (continued)

#### 2.2.1 Summary of effects arising from initial application of IFRS 9 (continued)

	Loans and advances	Finance lease receivables	Other loans and receivables	Bank balance and cash	Deposits with other banks	Debt instruments at FVTOCI	Advances to customers on margin financing	Financial assets held under resale agreements	Placements to banks and other financial institutions	Other receivables	Accounts receivable	Loan commitments and financial guarantee contracts
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017												
- IAS 39	918,203	1,482,043	518,295	-	-	-	328,476	344,314	120,061	465,907	116,068	14,484
Re-classification	(5,128)	-	(40,057)	-	-	-	-	-	-	-	-	-
Amounts remeasured through opening retained profits	5,787	14,165	302,793	1,681	65	16,391	5,451	103,375	1,311	44,313	4,935	217
FVTOCI reserve	-	-	-	-	-	(16,391)	-	-	-	-	-	-
At 1 January 2018	918,862	1,496,208	781,031	1,681	65	-	333,927	447,689	121,372	510,220	121,003	14,701



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### 2.2 IFRS 9 Financial Instruments and the related amendments (continued)

##### 2.2.1 Summary of effects arising from initial application of IFRS 9 (continued)

(f) *Transfer to general reserve and impact to non-controlling interests*

The accumulated impact on the retained profits recognised upon the application of IFRS 9 should further transfer to the general reserve and the total impact on the retained profit and FVTOCI should also have impact to the equity attributable to the Company and Non-controlling interests. RMB51,646,000 was transferred to general reserve based on main-land company law and RMB22,787,000 was transferred to non-controlling interests.

(g) *Hedge accounting*

At the date of the initial application, hedging relationships that qualified for hedge accounting in accordance with IAS 39 are regarded as continuing hedging relationship if all qualifying criteria under IFRS 9 are met, after taking into account any rebalancing of the hedging relationship on transition. Consistent with prior periods, the Group has continued to designate certain foreign currency bond as the hedging instrument for net investments in foreign operations. As such, the adoption of the hedge accounting requirements of IFRS 9 had not resulted in adjustments for transition.

(h) *Interests in joint ventures*

The net effects arising from the initial application of IFRS 9 resulted in a decrease in the carrying amounts of interests in joint ventures of RMB22,000 with corresponding adjustments to retained profits by RMB22,000.

Except as described above, the application of other amendments to IFRSs in the current year has had no material effect on the amounts reported and/or discloses set out in these consolidated financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

#### 2.2 IFRS 9 Financial Instruments and the related amendments (continued)

##### 2.2.2 Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets and financial liabilities upon transition to IFRS 9 on 1 January 2018:

	31/12/2017 RMB'000 (audited)	IFRS 9 RMB'000	1/1/2018 RMB'000 (Restated)
<b>Non-current assets</b>			
Investments accounted for using equity method	10,062,370	(22)	<b>10,062,348</b>
Finance lease receivables	22,212,628	(7,227)	<b>22,205,401</b>
Available-for-sale investments	31,725,358	(31,725,358)	–
Financial assets at fair value through profit or loss	952,338	14,616,200	<b>15,568,538</b>
Equity instruments at FVTOCI	–	16,911,899	<b>16,911,899</b>
Debt instruments at FVTOCI	–	1,586,828	<b>1,586,828</b>
Loans and advances	4,086,897	(4,888)	<b>4,082,009</b>
Other loans and receivables	8,098,697	93,778	<b>8,192,475</b>
Financial assets held under resale agreements	21,204,776	(24,417)	<b>21,180,359</b>
<b>Current assets</b>			
Advances to customers on margin financing	61,560,953	(5,451)	<b>61,555,502</b>
Accounts receivable	7,442,000	(4,935)	<b>7,437,065</b>
Finance lease receivables	21,323,548	(6,938)	<b>21,316,610</b>
Other receivables and prepayments	5,544,270	(350,114)	<b>5,194,156</b>
Available-for-sale investments	9,503,398	(9,503,398)	–
Debt instruments at FVTOCI	–	8,332,758	<b>8,332,758</b>
Loans and advances	751,375	(46,795)	<b>704,580</b>
Held-to-maturity investments	78,718	(78,718)	–
Other loans and receivables	21,147,878	(5,498,270)	<b>15,649,608</b>
Financial assets held under resale agreements	75,345,093	(78,958)	<b>75,266,135</b>
Placements to banks and other financial institutions	679,092	(1,311)	<b>677,781</b>
Financial assets at fair value through profit or loss	98,904,357	5,559,634	<b>104,463,991</b>
Deposits with other banks	316,134	(65)	<b>316,069</b>
Bank balances and cash	99,358,329	(325,323)	<b>99,033,006</b>
<b>Current liabilities</b>			
Provisions	167,343	217	<b>167,560</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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

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

IFRS 16	Leases <sup>1</sup>
IFRS 17	Insurance Contracts <sup>3</sup>
IFRIC 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to IFRS 3	Definition of a Business <sup>4</sup>
Amendments to IFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to IAS 1 and IAS 8	Definition of Material <sup>2</sup>
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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

#### *IFRS 16 Leases*

IFRS 16 introduces a comprehensive model for the identification of the lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows respectively by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature as appropriate.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB1,008,160,000 as disclosed in Note 65. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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

##### *IFRS 16 Leases (continued)*

In addition, the Group currently considers refundable rental deposits paid of RMB34,203,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Upon application of IFRS 16, the Group will apply the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial assets within the scope of IFRS 9. In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC. Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

The Group intended to select the modified retrospective approach for the application of IFRS 16 as lessees and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information. Certain practical expedients permitted by this modified retrospective approach will also be applied on a lease by lease basis.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Share-based Payment* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments, which are transacted at fair value and a valuation technique that unobservable input is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

The principal accounting policies are set out below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Basis of consolidation

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

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

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

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### **Basis of consolidation (continued)**

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Business combinations

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

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates of fair value, with the corresponding gain or loss being recognised in profit or loss.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Acquisition of a subsidiary not constituting a business

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

#### Goodwill

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising from an acquisition in a reporting period, the cash-generating unit(or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Investments in associates and joint ventures (continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Revenue from contracts with customers

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contract, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Revenue from contracts with customers (continued)

##### *Contract with multiple performance obligations (including allocation of transaction pricing)*

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

##### *Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation*

###### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

###### *Variable consideration*

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Revenue from contracts with customers (continued)

#### *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Leases (continued)

##### *The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

#### Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the leasehold land and entire building elements, the entire lease is generally classified as if the leasehold land is under finance lease.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### **Employee benefits**

##### ***Social welfare***

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

##### ***Contributions to pension schemes and annuity plans***

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

##### ***Short-term and other long-term employee benefits***

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in the profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Employee benefits (continued)

#### *Short-term and other long-term employee benefits (continued)*

The liability related to the above supplementary benefit obligations existing at the end of each reporting period, is calculated by independent actuaries using the Projected Unit Credit Method and is recorded as a liability in the consolidated statement of financial position. The liability is determined through discounting the amount of future benefits that the employees are entitled for their services in the current and prior periods. The discount rates are based on the yields of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

### Share-based payment transactions

#### *Share options granted to employees*

The Company's subsidiary Haitong International Securities ("HISGL") operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to share premium.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and the deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Property and equipment

Property and equipment including leasehold land (classified as finance lease) and building held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress), are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Property and equipment (continued)

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

Classes	Estimated residual value rates	Useful lives
Leasehold land and buildings	3 – 5%	Over the shorter of the lease term and estimated useful life of buildings of 30 – 40 years
Furniture, fixtures and equipment	3 – 10%	5 – 11 years
Motor vehicles	3 – 10%	5 – 8 years
Electronic equipment	3 – 10%	3 – 5 years
Assets held for operating lease businesses	15%	22 – 25 years
Leasehold improvements	nil	Over the lease term

#### Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or administrative purposes, the amortisation of prepaid lease payment provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.)

#### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### **Investment properties (continued)**

The above investment properties are depreciated over their estimated useful lives of 30 years and after taking into account their estimated residual value of 3% – 5%, using the straight-line method. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

### **Intangible assets**

#### ***Intangible assets acquired separately***

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

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

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### ***Derecognition of Intangible assets***

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) or in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables from IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

##### Financial assets

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

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Classification and subsequent measurement of financial assets (continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve of financial assets at fair value through other comprehensive income ("FVTOCI reserve"). Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Investment income and gains (net)" line item in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

##### *Financial assets (continued)*

##### *Classification and subsequent measurement of financial assets (continued)*

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Investment income and gains (net)" line item.

##### *Impairment of financial assets*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9, including loans and advances, other loans and receivables, financial assets held under resale agreements, advances to customers on margin financing, accounts receivable, placements to banks and other financial institutions, deposits with other banks, debt instruments measured at FVTOCI, finance lease receivables, other receivables, loan commitments and financial guarantee contracts. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. To measure the ECL, account receivables have been grouped based on shared credit risk characteristics. The Group collectively used a provision matrix with appropriate aging groupings to assess level of provision rate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Impairment of financial assets (continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- Significant degradation of the obligor's actual or expected internal credit risk level or significant decrease of behaviour scores for assessing credit risks;
- Actual or expected significant changes in external credit rating on the obligor or the debts;
- Significant changes in values of collaterals pledged for the debt, which may reduce obligor's economic incentive to make repayments within the term specified in the contract or affect probability of default incurred; for example, the obligor's performance guarantee ability is weakened due to decline in values of pledged securities, the obligor fails to provide supplement collaterals as specified in the contract within a reasonable time or the obligor may have stronger incentive to be in arrears with the debt.
- Actual or expected adverse changes in the obligor's business, financial or economic status, which may result in significant changes in the obligor's debt solvency;
- Overdue information of interests or principals;
- Significant changes in external market index for credit risks of specific financial instrument or alike financial instrument with the same expected life; for example, the obligor's credit spread, credit default swap price for the obligor or other market information related to the obligor;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

#### Financial assets (continued)

#### Impairment of financial assets (continued)

- (i) Significant increase in credit risk (continued)
- Actual or expected significant changes in quality of credit supports provided by the guarantor, which may reduce obligor's economic incentive to make repayments within the term specified in the contract; for example, if the guarantor will no longer provide financial support for the obligor, that may result in bankruptcy or receivership of the obligor, or increase in probability of these liabilities default when the obligor makes limited payment of operating funds (such as salaries or payments to key suppliers) so as to arrange the payment obligations of financial liabilities at a lower priority.
  - Actual or expected significant changes in quality of credit enhancement or support for creditor's rights issued in securitization, which may result in ability decrease of relevant subordinated interest to absorb expected credit losses.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for loan commitments and financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Impairment of financial assets (continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

#### Financial assets (continued)

#### Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Impairment of financial assets (continued)*

(v) Measurement and recognition of ECL (continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts and loan commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

##### *Financial assets (continued)*

##### *Impairment of financial assets (continued)*

##### (v) Measurement and recognition of ECL (continued)

Except for investments in debt instruments that are measured at FVTOCI, loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivables, finance lease receivables, other receivables and prepayments, loans and advances, other loans and receivables, financial assets held under resale agreements, advance to customers on margin financing, placements to banks and other financial institutions and deposits with other banks, where the corresponding adjustments is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments.

##### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial liabilities and equity instruments*

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as financial liabilities held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

#### *Financial liabilities and equity instruments (continued)*

#### *Financial liabilities at FVTPL (continued)*

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivative, and IFRS 9 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

Upon application of IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

#### *Financial liabilities at amortised cost*

Financial liabilities including deposits from central banks, deposits from other banks, customer accounts, borrowings, short-term financing bills payables, placements from other financial institutions, accounts payable to brokerage clients, bond payables, financial assets sold under repurchase agreements, other payables and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Derecognition/non-substantial modification of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

#### *Compound financial instruments*

The component parts of the convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium and share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

##### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

##### *Embedded Derivative*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

##### *Financial assets sold under repurchase agreements and financial assets held under resale agreements*

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as "FVTOCI" or "FVTPL" as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Financial assets held under resale agreements to resell are recorded as "financial assets held under resale agreements". Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

##### *(a) Financial assets held under resale agreements*

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under "financial assets held under resale agreements" in the consolidated statement of financial position.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial instruments (continued)

#### *Financial assets sold under repurchase agreements and financial assets held under resale agreements (continued)*

##### *(b) Financial assets sold under repurchase agreements*

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented under “financial assets sold under repurchase agreements” in the statement of financial position.

### *Hedge accounting*

The Group designates certain bank loans for hedges of net investments in foreign operations.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

#### *Assessment of hedging relationship and effectiveness*

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

#### Financial instruments (continued)

##### *Hedge accounting (continued)*

##### *Hedges of net investments in foreign operations*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains or losses" line item.

Gains or losses on the hedging instrument relating to the effective portion of hedge accumulated in the translation reserve are reclassified to profit or loss on disposal of foreign operation.

##### *Discontinuation of hedge accounting*

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

##### *Securities lending*

The Group lends investment securities to clients and the cash collaterals balance required under the securities lending agreements and the interest arisen from these are classified as "accounts payable to brokerage clients". For those securities held by the Group lent to clients that do not result in the derecognition of financial assets, they are included in related financial assets.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

### Financial guarantee contracts

Financial guarantee contract is contract that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests. Acceptance includes the honour commitment made by the note sent to customers by the Group. Acceptance is listed as a financial guarantee and credit commitment transaction and is disclosed as contingent liabilities and commitments

The financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designed as at FVTPL, are subsequently measured at the higher of:

- According to the amount of contractual obligations according to IAS 37; and
- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The financial guarantee contracts issued by the Haitong Bank normally have a stated maturity date and a periodic fee, usually paid in advance on a quarterly basis. This fee varies depending on the counterparty risk, the amount and the term of the contract. Therefore, the fair value of the financial guarantee contracts issued by the Haitong Bank, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

### 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 bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Impairment of loans and advances, advances to customers on margin financing, financial assets held under resale agreements and finance lease receivables**

The Group reviews its loans and advances, advances to customers on margin financing, financial assets held under resale agreements and finance lease receivables to assess ECL on a periodic basis.

The Group estimates the amount of loss allowance for ECL on the above mentioned financial assets and finance lease receivables, measuring as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of these financial assets and finance lease receivables. The assessment of the credit risk involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

The following significant judgements are required in applying the accounting requirements for measuring the ECL:

#### ***Significant increase of credit risk***

As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information, which are detailed in note 73.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (continued)

### **Impairment of loans and advances, advances to customers on margin financing, financial assets held under resale agreements and finance lease receivables (continued)**

#### ***Establishing groups of assets with similar credit risk characteristics***

When ECLs are measured on a collective basis, the finance lease receivable and financial assets subject to impairment are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

#### ***Models and assumptions used***

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Details are set out in note 73.

#### ***Forward-looking information***

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Details are set out in note 73.

#### ***Probability of default (PD)***

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Details are set out in note 73.

#### ***Loss given default (LGD)***

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Details are set out in note 73.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (continued)

#### Fair value measurement of financial instruments

Certain of the Group's financial assets are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Details are set out in note 73.

#### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are set out in Note 21.

#### Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

#### Principal versus agent consideration (principal)

The Group engages in commodity trading. Upon application of IFRS 15, the Group reassessed whether the Group should continue to recognise revenue on gross basis based on the requirements in IFRS 15. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (continued)

### Determination on classification of financial assets

Classification and measurement of financial assets depends on the result of whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of assets is evaluated and their performance measured, the risks that affect the performance of assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

### Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as manager, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds together with its remuneration, credit enhancements and other interests creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal. Details of consolidated structured entities and unconsolidated structured entities are set out in Notes 23 and 26 to the consolidated financial statements respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 5. SEGMENT REPORTING

Information reported to the chief operating decision maker (the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group’s basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. With changes in environment of security market and constant development of various business activities, the Group will make adjustments to business segments in order to facilitate implementation of the Group’s strategic planning and satisfy internal management in the meantime. The Group’s business segments are classified in accordance with the requirements of International Financial Reporting Standards, and are based on the internal organization structure, management requirements and internal reporting system. The reporting segments are determined based on business segments. A business segment is a component of the Group with all the following conditions satisfied: (1) such component is able to generate revenue and expenses in the ordinary course of the Group, (2) management of the Group periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance; (3) the Group has access to such component’s accounting information including financial position, operating results and cash flows. If two or more business segments have similar economic characteristics or a similar business model, they may be combined as one business segment. Based on its strategic planning and internal management requirements, the Group determines six business segments: wealth management, investment banking, assets management, transaction and institution, finance lease and others. Classification of reporting segments is consistent with that of business segments.

Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the condensed consolidated financial statements.

Specifically, the Group’s operating segments are as follows:

- (1) Wealth Management Segment engages in provision of a full range of financial services and investment solutions to retail and high net-worth clients. Services provided include brokering and dealing in securities and futures, investment consulting, wealth management as well as financial services such as margin financing, security lending, stock pledge, etc.;
- (2) Investment Banking Segment engages in provision of sponsoring and underwriting services to enterprises and government clients for their fund raising activities in equity and debt capital markets, and also engages in provision financial consulting services for enterprises for their corporate actions such as merger and assets restructuring services as well as provision of services related to the National Equities Exchange and Quotations;



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 5. SEGMENT REPORTING (continued)

- (3) Asset Management Segment engages in provision of investment management services on diversified and comprehensive investment products including asset management, fund management, and private equity management to individual, corporate and institutional clients;
- (4) Trading and Institution Segment engages in provision of stock sales and trading, prime brokerage, stock lending, and stock research in financial markets across the world to global institutional clients, and also engages in provision of market- making services for fixed income, currency and commodity products, futures and options, and derivatives on major exchanges around the world. At the same time, through investment funds and private equity projects, we enhance the synergistic advantages of all business divisions of the group, and focus on exploring investment opportunities with reasonable capital returns, so as to expand customer relations and promote the overall growth of the group's business;
- (5) Finance Lease Segment engages in provision of innovative financial solutions, including finance lease, operating lease, factoring, entrustment loans and relevant consulting to individuals, enterprises and government clients;
- (6) Others Segment engages in provision of other comprehensive financial and information services to institutions clients, including warehouse receipts pledge service, pricing service, market-making service and services related to risk management.

Segment profit/loss represents the profit earned by/loss measured by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Share of results of associates and joint ventures are allocated to segment profit/loss while the corresponding investments in associates and joint ventures are not allocated to each segment.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 5. SEGMENT REPORTING (continued)

The segment information provided to the CODM for the operating and reportable segments for the years ended 31 December 2018 and 2017 is as follows:

#### Operating and Reportable segment

##### For the year ended 31 December 2018

	Wealth management RMB'000	Investment banking RMB'000	Asset management RMB'000	Trading and institution RMB'000	Finance lease RMB'000	Others RMB'000	Consolidated total RMB'000
<b>Segment revenue and results</b>							
Revenue and net investment gain	13,845,632	3,586,547	2,256,576	7,038,032	4,453,584	102,603	31,282,974
Other income and gains	185,100	232,863	61,248	318,314	1,234,431	5,354,777	7,386,733
Segment revenue	14,030,732	3,819,410	2,317,824	7,356,346	5,688,015	5,457,380	38,669,707
Segment expenses	9,099,135	2,522,163	1,241,308	8,481,433	4,371,748	5,416,263	31,132,050
Segment results	4,931,597	1,297,247	1,076,516	(1,125,087)	1,316,267	41,117	7,537,657
Share of results of associates and joint ventures	-	-	195,625	(198,618)	35,702	-	32,709
Profit before income tax	4,931,597	1,297,247	1,272,141	(1,323,705)	1,351,969	41,117	7,570,366
<b>Segment assets and liabilities</b>							
Segment assets	171,334,595	13,041,818	13,063,298	285,159,759	81,444,488	2,025,593	566,069,551
Investments accounted for using equity method							5,312,881
Deferred tax assets							3,241,202
Group's total assets							574,623,634
Segment liabilities	124,288,794	13,113,398	8,988,473	217,066,090	79,231,875	1,542,375	444,231,005
Deferred tax liabilities							206,710
Group's total liabilities							444,437,715
<b>Other segment information</b> (Amounts included in the measure of segment profit or loss:)							
Depreciation and amortization	197,324	132,367	31,278	99,515	97,390	292	558,166
Capital expenditure	648,063	204,913	51,374	380,569	2,673,527	-	3,958,446
Credit impairment losses	717,623	115,155	(12,055)	10,454	794,673	21,377	1,647,227



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 5. SEGMENT REPORTING (continued)

### Operating and Reportable segment (continued)

For the year ended 31 December 2017

	Wealth management RMB'000	Investment banking RMB'000	Asset management RMB'000	Trading and institution RMB'000	Finance lease RMB'000	Others RMB'000	Consolidated total RMB'000
<b>Segment revenue and results</b>							
Revenue and net investment gain	14,308,867	4,216,067	2,212,416	11,831,311	2,999,199	109,162	35,677,022
Other income and gains	254,218	22,479	52,107	70,637	1,002,710	4,245,329	5,647,480
Segment revenue	14,563,085	4,238,546	2,264,523	11,901,948	4,001,909	4,354,491	41,324,502
Segment expenses	10,123,439	3,183,508	1,332,238	7,243,169	2,935,304	4,325,934	29,143,592
Segment results	4,439,646	1,055,038	932,285	4,658,779	1,066,605	28,557	12,180,910
Share of results of associates and joint ventures	-	-	204,057	483,460	20,970	-	708,487
Profit before income tax	4,439,646	1,055,038	1,136,342	5,142,239	1,087,575	28,557	12,889,397
Segment assets and liabilities							
Segment assets	229,484,023	16,740,758	9,372,801	204,389,378	60,234,557	1,570,996	521,792,513
Investments accounted for using equity method							10,062,370
Deferred tax assets							2,851,450
Group's total assets							534,706,333
Segment liabilities	185,464,158	17,027,773	7,434,920	134,536,987	58,363,973	1,316,898	404,144,709
Deferred tax liabilities							867,320
Group's total liabilities							405,012,029
Other segment information (Amounts included in the measure of segment profit or loss:)							
Depreciation and amortization	180,667	98,166	23,407	135,572	47,277	248	485,337
Capital expenditure	211,319	168,776	26,397	171,736	1,247,216	-	1,825,444
Credit impairment losses	302,640	673,450	(33,165)	167,003	573,563	3,167	1,686,658

The Group operates mainly in three principal geographical areas, the mainland China (representing the location of majority of the income from external customers and non-current assets of the Group), Hong Kong and Europe (the operation area of Group's subsidiary). No single customers contribute more than 10% of income to the Group's income for the years ended 31 December 2018 and 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 6. COMMISSION AND FEE INCOME

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Commission on securities dealing, broking and handling fee income	<b>3,840,583</b>	4,958,296
Commission on futures and options contracts dealing and broking and handling fee income	<b>426,214</b>	511,907
Financial advisory and consultancy fee income	<b>1,154,101</b>	1,140,135
Underwriting and sponsors fees	<b>2,390,967</b>	2,467,057
Asset management fee income (including fund management income)	<b>1,925,194</b>	2,098,349
Others	<b>115,628</b>	49,339
	<b>9,852,687</b>	11,225,083

The major business types of commission and fee income from customers are as follows:

#### (1) Brokerage

The Group provides broking, dealing and handling services for securities, futures and options contracts. Commission income is recognized at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed.

#### (2) Investment Banking

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets, and also structured products arrangement services. Revenue is recognized at a point in time when the relevant placing, underwriting, sub-underwriting or structured products arrangement activities are completed. The Group also provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. The Group considers that all the services promised in a particular contract of being a sponsor or corporate advisor are interdependent and interrelated and should therefore be accounted for as a single performance obligation.

#### (3) Asset management

The Group provides asset management and investment advisory services on diversified and comprehensive investment products to customers. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognized as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. The Group is also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognized at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved.

As at 31 December 2018, the Group's most contracts with customers have original expected duration of less than one year.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 7. INTEREST INCOME

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Bank interest income	3,095,155	2,897,113
Interest income from advances to customers on margin financing	3,885,678	4,135,956
Interest income from loans and advances	1,203,367	830,783
Interest income from financial assets held under resale agreements	5,097,024	4,265,941
Interest income from debt instruments at fair value through other comprehensive income	504,409	–
Interest income from debt instrument at amortised cost	4,176	–
Other interest income	458,546	318,772
	<b>14,248,355</b>	12,448,565

### 8. NET INVESTMENT GAINS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Net realised gains arising from available-for-sale investments	–	3,109,382
Net realised gains arising from financial assets/liabilities at fair value through profit or loss	4,168,968	6,820,343
Fair value change of financial instruments at fair value through profit or loss	(2,018,938)	(1,329,411)
Net income arising from other loan and receivables	–	727,308
Dividend income from equity instruments at fair value through other comprehensive income	1,295,120	–
Net gains arising from debt instruments at fair value through other comprehensive income	38,370	–
	<b>3,483,520</b>	9,327,622

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 9. OTHER INCOME AND GAINS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Non-recurring government grants ( <i>Note</i> )	432,706	648,512
Rental income from investment properties	15,443	13,832
Rental income from operating lease	174,339	85,757
Foreign exchange gains/(losses)	219,127	(225,472)
Income arising from commodity trading and others	6,545,118	5,124,851
	<b>7,386,733</b>	5,647,480

*Note:* The non-recurring government grants were received unconditionally by the Group and its subsidiaries from the local government where they reside. The main purpose is to subsidise the operations of these entities.

### 10. DEPRECIATION AND AMORTISATION

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Depreciation of property and equipment	358,570	339,561
Depreciation of investment properties	7,103	1,195
Amortisation of other intangible assets	171,687	127,158
Amortisation of prepaid lease payments	20,806	17,423
	<b>558,166</b>	485,337



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 11. STAFF COSTS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Staff costs (including directors' remuneration (Note 68):		
Salaries, bonus and allowances	4,829,742	5,266,101
Contributions to annuity plans and retirement schemes (Note)	782,758	833,249
Other social welfare	317,329	300,716
	<b>5,929,829</b>	6,400,066

*Note:* The domestic employees of the Group in the PRC participate in a state-managed retirement benefit scheme operated by the respective local government in the PRC. Apart from the state-managed retirement benefit scheme, the Group also makes monthly contributions to annuity plans at fixed rates of the employees' salaries and bonuses for the period. The Group operates a post-retirement scheme for its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The Group's contributions to these post-retirements plans are charged to profit or loss in the period to which they relate.

One of the Group's subsidiary in Portugal operated a defined benefit scheme. As at 31 December 2018, the present value of defined benefit obligations and fair value of plan assets in respect of this scheme amounted to EUR72,659,000, equivalent to RMB570,117,000 (31 December 2017: EUR72,070,000, equivalent to RMB562,312,000) and EUR69,641,000, equivalent to RMB546,494,000 (31 December 2017: EUR72,552,000, equivalent to RMB566,072,000), respectively.

Share option award of subsidiaries is disclosed in Note 70.

## 12. BROKERAGE TRANSACTION FEES AND OTHER SERVICES EXPENSES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Securities and futures dealing and broking expenses	813,845	948,290
Services expenses for underwriting and financial advisory, etc.	20,180	32,293
	<b>834,025</b>	980,583

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 13. INTEREST EXPENSES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Interest on borrowings wholly repayable within five years:		
– bank loans and overdrafts	<b>2,992,938</b>	2,395,041
– deposit taken from banks and other financial institutes	<b>170,074</b>	264,058
– financial assets sold under repurchase agreements	<b>1,543,592</b>	1,804,899
– accounts payable to brokerage clients	<b>419,152</b>	282,433
– advances from China Securities Finance Corporation Ltd.	<b>359,126</b>	91,976
– bond payables	<b>7,550,041</b>	5,957,070
– others	<b>91,570</b>	662,915
	<b>13,126,493</b>	11,458,392

### 14. EXPECTED CREDIT LOSSES/IMPAIRMENT LOSSES ON ASSETS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Expected credit losses in respect of debt instruments at amortized cost	<b>3,511</b>	
Expected credit losses in respect of loans and advances	<b>181,479</b>	
Expected credit losses in respect of finance lease receivables	<b>722,061</b>	
Expected credit losses in respect of advances to customers on margin financing	<b>456,508</b>	
Expected credit losses in respect of financial assets held under resale agreements included	<b>255,804</b>	
Expected credit (reversal)/losses in respect of other loans and receivables	<b>(68,165)</b>	
Expected credit losses in respect of other financial assets and other items	<b>70,969</b>	
	<b>1,622,167</b>	
Bad debt loss in respect of accounts receivable		52,287
Impairment loss in respect of available-for-sale investments		247,963
Impairment loss in respect of loans and advances		369,620
Impairment loss in respect of finance lease receivables		393,139
Impairment loss in respect of advances to customers on margin financing		130,876
Impairment loss in respect of financial assets held under resale agreements included		164,162
Impairment loss in respect of other loans and receivables		195,587
Impairment loss in respect of other assets		133,024
		<b>1,686,658</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 15. INCOME TAX EXPENSE

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Current tax:		
PRC Enterprise Income Tax and other jurisdictions	2,210,622	2,886,612
Hong Kong Profits Tax	288,369	480,043
	<b>2,498,991</b>	3,366,655
Adjustments in respect of current income tax in relation to prior years:		
PRC Enterprise Income Tax and other jurisdictions	16,327	23,265
Hong Kong Profits Tax	(182,987)	(41,646)
	<b>(166,660)</b>	(18,381)
Deferred tax:		
Current period	(530,753)	(337,546)
Previous period	(1,920)	3,066
	<b>1,799,658</b>	3,013,794

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25% from 1 January 2008.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017, which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 15. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before income tax using the applicable rate to the tax expense at the effective tax rate is as follows:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit before income tax	<b>7,570,366</b>	12,889,397
Tax at the statutory tax rate of 25%	<b>1,892,592</b>	3,222,349
Effect of share of results of associates and joint ventures	<b>(15,815)</b>	(160,108)
Tax effect of expenses not deductible for tax purpose	<b>876,174</b>	764,180
Tax effect of income not taxable for tax purpose	<b>(693,480)</b>	(521,840)
Adjustments in respect of income tax in relation to prior years	<b>(168,580)</b>	(15,315)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(146,819)</b>	(246,222)
Others	<b>55,586</b>	(29,250)
Tax charge	<b>1,799,658</b>	3,013,794



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 16. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is as follows:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	5,211,093	8,618,423
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share ( <i>Notes i, ii</i> )	(30,458)	(135,636)
Earnings for the purpose of diluted earnings per share	5,180,635	8,482,787
Number of shares for basic and diluted earnings per share:		
Number of shares in issue (in thousand)	11,501,700	11,501,700
Basic earnings per share (Expressed in RMB per share)	0.45	0.75
Diluted earnings per share (Expressed in RMB per share)	0.45	0.74

Notes:

- (i) As disclosed in Note 50, a subsidiary of the Company issued convertible bonds. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of the subsidiary, assuming outstanding convertible bonds were fully converted to ordinary shares of that subsidiary on the first day of the year.
- (ii) Subsidiaries of the Company operated various share option or share awards schemes. Diluted earnings per share takes into account the potential impacts to the Group's share of profits of these subsidiaries when additional shares have to be issued to relevant employees.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 17. PROPERTY AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
As at 1 January 2018	1,246,460	906,216	1,166,343	1,603,132	192,224	40,512	5,154,887
Additions during the year	591,273	30,765	153,259	2,623,343	38,333	21,470	3,458,443
Disposals during the year	-	-	(129,297)	(7,361)	(37,420)	(331)	(174,409)
Transfer in from investment property	47,192	-	-	-	-	-	47,192
Transfer during the year	-	23,660	332	-	738	(24,730)	-
Exchange difference	106	5,862	6,474	68,425	2,147	601	83,615
As at 31 December 2018	1,885,031	966,503	1,197,111	4,287,539	196,022	37,522	8,569,728
<b>ACCUMULATED DEPRECIATION</b>							
As at 1 January 2018	426,150	741,634	818,887	144,748	130,716	-	2,262,135
Provided for the year	45,212	65,113	154,465	71,161	22,619	-	358,570
Eliminated on disposals	-	-	(114,159)	(6,939)	(17,030)	-	(138,128)
Transfer in from investment property	793	-	-	-	-	-	793
Exchange difference	8	4,488	4,801	475	1,781	-	11,553
As at 31 December 2018	472,163	811,235	863,994	209,445	138,086	-	2,494,923
<b>ALLOWANCE FOR IMPAIRMENT LOSSES</b>							
As at 1 January 2018 and 31 December 2018	30,382	-	-	-	-	-	30,382
<b>CARRYING VALUES</b>							
As at 31 December 2018	1,382,486	155,268	333,117	4,078,094	57,936	37,522	6,044,423



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 17. PROPERTY AND EQUIPMENT (continued)

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Transportation equipment RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
As at 1 January 2017	1,107,723	837,242	1,053,021	455,378	192,538	32,817	3,678,719
Additions during the year	143,394	53,784	174,746	1,166,215	21,588	51,396	1,611,123
Disposals during the year	(5,125)	-	(74,928)	(16,596)	(17,722)	(418)	(114,789)
Transfer during the year	4,898	18,474	17,457	-	668	(41,497)	-
Exchange difference	(4,430)	(3,284)	(3,953)	(1,865)	(4,848)	(1,786)	(20,166)
<b>As at 31 December 2017</b>	<b>1,246,460</b>	<b>906,216</b>	<b>1,166,343</b>	<b>1,603,132</b>	<b>192,224</b>	<b>40,512</b>	<b>5,154,887</b>
<b>ACCUMULATED DEPRECIATION</b>							
As at 1 January 2017	392,003	674,977	719,594	121,203	124,721	-	2,032,498
Provided for the year	34,182	69,796	173,796	39,192	22,595	-	339,561
Eliminated on disposals	-	-	(70,401)	(15,381)	(14,972)	-	(100,754)
Exchange difference	(35)	(3,139)	(4,102)	(266)	(1,628)	-	(9,170)
<b>As at 31 December 2017</b>	<b>426,150</b>	<b>741,634</b>	<b>818,887</b>	<b>144,748</b>	<b>130,716</b>	<b>-</b>	<b>2,262,135</b>
<b>ALLOWANCE FOR IMPAIRMENT LOSSES</b>							
As at 1 January 2017 and 31 December 2017	30,382	-	-	-	-	-	30,382
<b>CARRYING VALUES</b>							
As at 31 December 2017	789,928	164,582	347,456	1,458,384	61,508	40,512	2,862,370

Transportation equipment of the Group includes aircraft held for operating lease businesses, as of 31 December 2018, the cost of aircraft amounts to RMB4,115,892,000 (2017: RMB1,430,597,000), accumulated depreciation amounts to RMB81,162,000 (2017: RMB24,089,000), and the carrying values of aircraft amounts to RMB4,034,730,000 (2017: RMB1,406,508,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 17. PROPERTY AND EQUIPMENT (continued)

As the lease payments included in the Group's leasehold land and buildings cannot be allocated reliably between the land and buildings, the entire leases are classified as finance leases and accounted for as property and equipment.

As of 31 December 2018 and 31 December 2017, included in leasehold land and buildings, there are carrying amounts of RMB33,462,000 and RMB34,863,000, respectively, for which the Group have yet to obtain the relevant land and building certificates.

### 18. INVESTMENT PROPERTIES

	2018/12/31 RMB'000	2017/12/31 RMB'000
<b>COST</b>		
At beginning of the year	37,610	37,610
Addition during the year	250,067	–
Transfer to Property and equipment	(47,192)	–
At end of the year	240,485	37,610
<b>ACCUMULATED DEPRECIATION</b>		
At beginning of the year	20,746	19,551
Provided for the year	7,103	1,195
Transfer to Property and equipment	(793)	–
At end of the year	27,056	20,746
<b>CARRYING VALUES</b>		
At end of the year	213,429	16,864

The fair values of the Group's investment properties at 31 December 2018 and 31 December 2017, were RMB340,743,000 and RMB118,162,000 respectively. The fair values have been determined by the directors of the Company by reference to recent market prices for similar properties in the same or similar locations and conditions. Fair values disclosed above are categorized as Level 3.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 19. GOODWILL

#### Cost and carrying values

	2018/12/31 RMB'000	2017/12/31 RMB'000
At beginning of the year	3,863,520	4,118,734
Additional amount in respect of business combination	–	4,618
Exchange adjustments	182,670	(259,832)
At end of the year	<b>4,046,190</b>	3,863,520

Particulars regarding impairment testing on goodwill are disclosed in Note 21.

### 20. OTHER INTANGIBLE ASSETS

	Trading rights RMB'000	Computer software RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>					
As at 1 January 2018	225,144	898,494	105,917	8,063	1,237,618
Additions during the year	–	192,955	–	4,246	197,201
Disposals during the year	–	(50,301)	(137)	–	(50,438)
Transfer during the year	–	2,169	–	(2,169)	–
Exchange difference	266	35,511	2,062	8	37,847
As at 31 December 2018	<b>225,410</b>	<b>1,078,828</b>	<b>107,842</b>	<b>10,148</b>	<b>1,422,228</b>
<b>ACCUMULATED AMORTISATION</b>					
As at 1 January 2018	118,400	574,881	50,284	–	743,565
Provided for the year	–	165,280	6,407	–	171,687
Eliminated on disposals	–	(45,634)	(137)	–	(45,771)
Exchange difference	–	34,425	527	–	34,952
As at 31 December 2018	<b>118,400</b>	<b>728,952</b>	<b>57,081</b>	<b>–</b>	<b>904,433</b>
<b>CARRYING VALUES</b>					
As at 31 December 2018	<b>107,010</b>	<b>349,876</b>	<b>50,761</b>	<b>10,148</b>	<b>517,795</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 20. OTHER INTANGIBLE ASSETS (continued)

	Trading rights <i>RMB'000</i>	Computer software <i>RMB'000</i>	Others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>COST</b>					
As at 1 January 2017	224,131	765,335	98,489	14,744	1,102,699
Additions during the year	1,400	139,450	10,714	9,274	160,838
Disposals during the year	–	(29,042)	(290)	–	(29,332)
Transfer during the year	–	11,825	–	(11,825)	–
Exchange difference	(387)	10,926	(2,996)	(4,130)	3,413
<b>As at 31 December 2017</b>	<b>225,144</b>	<b>898,494</b>	<b>105,917</b>	<b>8,063</b>	<b>1,237,618</b>
<b>ACCUMULATED AMORTISATION</b>					
As at 1 January 2017	118,400	471,543	45,006	–	634,949
Provided for the year	–	121,243	5,915	–	127,158
Eliminated on disposals	–	(27,665)	(208)	–	(27,873)
Exchange difference	–	9,760	(429)	–	9,331
<b>As at 31 December 2017</b>	<b>118,400</b>	<b>574,881</b>	<b>50,284</b>	<b>–</b>	<b>743,565</b>
<b>CARRYING VALUES</b>					
<b>As at 31 December 2017</b>	<b>106,744</b>	<b>323,613</b>	<b>55,633</b>	<b>8,063</b>	<b>494,053</b>

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Exchanges and Clearing Limited and the Hong Kong Futures Exchange Limited which allow the Group to trade securities and futures contracts on or through these exchanges. The Group treats trading rights as intangible assets with infinite useful lives. Details regarding impairment testing on trading right are disclosed in Note 21.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 21. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES

#### Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in Note 19 has been allocated into six individual cash generating units (CGUs), including one subsidiary in Shanghai ("Unit A") and one subsidiary in Hong Kong ("Unit B") and one subsidiary its headquarters are in Hong Kong and operates mainly in Shanghai ("Unit C") and one subsidiary acquired by the Group last year its headquarters are in Portugal ("Unit D") and one subsidiary acquired by the Group last year its headquarters are in Japan ("Unit E") and one subsidiary in Singapore ("Unit F"). The carrying amounts of goodwill as at 31 December 2018 and 31 December 2017 allocated to these units are as follows:

	<b>2018/12/31</b>	2017/12/31
	<b>RMB'000</b>	<i>RMB'000</i>
Unit A – Haitong Futures Co., Ltd.	<b>5,896</b>	5,896
Unit B – Haitong International Securities Group Limited	<b>687,800</b>	656,173
Unit C – Haitong UT Capital Group Co., Ltd.	<b>2,194,161</b>	2,093,268
Unit D – Haitong Bank S.A.	<b>1,023,952</b>	979,981
Unit E – Haitong International Holdings (UK) Limited (formerly "Japaninvest Group plc")	<b>129,541</b>	123,584
Unit F – G. K. Goh Financial Services (Singapore) Pte. Ltd.	<b>4,840</b>	4,618
	<b>4,046,190</b>	3,863,520

During the year ended 31 December 2018 and 2017, management of the Group determined that there are no impairments of any of its CGUs containing goodwill as the recoverable amounts of Unit A, Unit B, Unit C, Unit D, Unit E and Unit F exceed their respective carrying amounts.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of Unit A, Unit B, Unit C, Unit D, Unit E and Unit F have been determined on the basis of value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management and at a discount rate of 4.56% to 15.00% for Unit A, Unit B, Unit C, Unit D, Unit E and Unit F, as at 31 December 2018. (31 December 2017: 3.025% to 15.00% for Unit A, Unit B, Unit C, Unit D, Unit E and Unit F). The discount rates used reflect specific risks relating to the relevant CGUs.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 21. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES (continued)

#### Impairment testing on goodwill (continued)

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income, gross margin and perpetual growth rate, such estimation is based on the units' past performance and management's expectations for the market development.

Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of Unit A, Unit B, Unit C, Unit D, Unit E or Unit F to exceed their respective aggregate recoverable amounts.

#### Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the three cash generating units relating to brokerage business whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, there is no impairment of the trading rights as at 31 December 2018 and 2017.

### 22. PRINCIPAL SUBSIDIARIES

#### Investment in subsidiaries:

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Unlisted shares, at cost	<b>26,622,222</b>	26,022,222



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 22. PRINCIPAL SUBSIDIARIES (continued)

### Details of the principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Equity interest held by the Group		Share capital/ registered and paid-up capital	Principal activities
		As at 31 December 2018	As at 31 December 2017		
海富通基金管理有限公司 HFT Investment Management Co., Ltd.* <sup>2</sup>	PRC	51%	51%	RMB 300,000,000	Provision of fund trading, distribution and management services
海富產業投資基金管理有限公司 Haitong-Fortis Private Equity Fund Management Co., Ltd.* <sup>2</sup>	PRC	67%	67%	RMB 100,000,000	Provision of advisory services and fund management services
海通開元投資有限公司 Haitong Capital Investment Co. Ltd.* <sup>2</sup> ("HCICL")	PRC	100%	100%	RMB 10,650,000,000	Provision of advisory services and proprietary trading
海通國際控股有限公司 Haitong International Holdings Limited <sup>2</sup> ("HTIH")	Hong Kong	100%	100%	HKD 8,850,000,000	Investment holding and securities trading
海通期貨股份有限公司 Haitong Futures Co., Ltd. <sup>2</sup>	PRC	66.667%	66.667%	RMB 1,300,000,000	Physical commodities and futures contracts broking and dealing
海通國際證券集團有限公司 Haitong International Securities Group Limited <sup>1</sup> ("HISGL")	Bermuda	63.59%	62.43%	HKD 578,974,638	Security Company
海通創新證券投資有限公司 Haitong Chuangxin Securities Investment Company Limited <sup>2,3</sup>	PRC	100%	100%	RMB 4,100,000,000	Financial products investment investment advisory and investment management services
上海海通證券資產管理有限公司 Shanghai Haitong Securities Asset Management Company Limited* <sup>2</sup>	PRC	100%	100%	RMB 2,200,000,000	Securities investment management
海通恒信金融集團有限公司 Haitong UT Capital Group Co., Limited	Hong Kong	100%	100%	HKD 4,146,162,881	Finance Lease
海通銀行Haitong Bank S.A. ("Haitong Bank")	Portugal	100%	100%	EUR844,769,000	Banking Services
上海惟泰置業管理有限公司 Shanghai Weitai Properties Management Co., Ltd. <sup>2</sup>	PRC	100%	100%	RMB10,000,000	Real estate development, property management and catering management

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 22. PRINCIPAL SUBSIDIARIES (continued)

#### Details of the principal subsidiaries: (continued)

- \* English translated name is for identification only.
- 1 In the opinion of directors, further disclosure of information for the indirectly held subsidiaries through HISGL in these financial statements would not add value to the shareholders as the related information is already being included in note the annual report of HISGL for year ended 31 December 2018 currently being available to public.
  - 2 The subsidiary is directly held by the Company.
  - 3 On 13 December 2018, the Company raise the capital to Haitong Chuangxin Securities by amount of RMB600 million. After the capital injection, the share capital of Haitong Chuangxin Securities is RMB4,100 million.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

#### Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Placement of incorporation	Proportion of ownership interests and voting rights held by non controlling interests		Profit allocated to non controlling interests		Accumulated non controlling interests	
		31/12/2018	31/12/2017	31/12/2018 RMB'000	31/12/2017 RMB'000	31/12/2018 RMB'000	31/12/2017 RMB'000
HISGL	Bermuda	36.41 %	37.57%	334,033	951,164	8,295,298	7,966,818



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 22. PRINCIPAL SUBSIDIARIES (continued)

#### Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect HISGL is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	<b>2018/12/31</b>	2017/12/31
	<b>RMB'000</b>	RMB'000
Current assets	<b>114,187,043</b>	92,922,345
Non-current assets	<b>18,277,824</b>	15,933,063
Current liabilities	<b>100,653,384</b>	74,377,418
Non-current liabilities	<b>9,196,466</b>	13,272,726
Total equity	<b>22,615,017</b>	21,205,264
Non-controlling interests of the subsidiary	<b>8,295,298</b>	7,966,818
	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Total income	<b>5,545,279</b>	6,014,390
Total expenses	<b>(4,649,068)</b>	(3,482,679)
Profit for the year	<b>896,211</b>	2,531,711
Other comprehensive income	<b>(101,121)</b>	105,291
Total comprehensive income for the year	<b>795,090</b>	2,637,002
Total comprehensive income attributable to the non-controlling interests of the subsidiary	<b>296,388</b>	990,722
Dividends paid to non-controlling interests	<b>465,665</b>	314,385
Net cash outflow from operating activities	<b>(12,129,801)</b>	(4,415,869)
Net cash inflow from investing activities	<b>4,160,048</b>	5,706,545
Net cash inflow/(outflow) from financing activities	<b>10,205,827</b>	(3,492,758)
Net cash inflow/(outflow)	<b>2,236,074</b>	(2,202,082)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 23. INTEREST IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including asset management products. For the asset management products where the Group acts as manager, the Group assesses whether the combination of investments it held, if any, together with its remuneration and other interests creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

The financial impact of these asset management products on the Group's financial position as at 31 December 2018 and 31 December 2017, and the results and cash flows for the years ended 2018 and 2017, though consolidated, are not individually significant to the Group.

Interests in all consolidated structured entities directly held by the Group amounted to fair value of RMB20,791,513,000 and RMB11,917,811,000 at 31 December 2018 and 2017, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the senior tranche investors by holding such subordinated tranche interests. As at 31 December 2018 and 2017, the fair value of the Group's interests in the subordinated tranche of those structured products is RMB4,387,208,000 and RMB4,090,020,000 respectively.

Interests held by other interest holders are included in financial liabilities at fair value through profit or loss in the consolidated statement of financial position and the corresponding changes are presented as changes in net investment gains in the consolidated statement of profit or loss.

### 24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2018/12/31 RMB'000	2017/12/31 RMB'000
Associates:		
Cost of unlisted investments in associates	3,775,155	4,053,890
Share of post-acquisition profits and other comprehensive income, net of dividends received	682,602	826,779
<b>Subtotal for associates</b>	<b>4,457,757</b>	4,880,669
Joint ventures:		
Cost of unlisted investments in joint ventures	835,985	5,210,136
Share of post-acquisition loss and other comprehensive income, net of dividends received	19,139	(28,435)
<b>Subtotal for joint ventures</b>	<b>855,124</b>	5,181,701
<b>Total</b>	<b>5,312,881</b>	10,062,370



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Details of material investments accounted for using equity method:

Name of entity	Place of establishment	Equity interest held by the Group		Principal activities
		As at 31 December 2018	As at 31 December 2017	
<b>Joint ventures</b>				
HT Freedom Multi-Tranche Bond Fund (Note i)	Cayman Islands	N/A	38.63%	Investment holding
貴安恒信融資租賃(上海)有限公司	PRC	40%	40%	Finance Leasing
上海彤關投資管理合夥企業(有限合夥) Shanghai Tong Guan Investment Management Limited Partnership	PRC	50.00%	50.00%	Investing in equity; Investment management services
<b>Associates</b>				
富國基金管理有限公司 Fullgoal Fund Management Co. Ltd.*	PRC	27.775%	27.775%	Provision of fund trading distribution services
吉林省現代農業和新興產業投資基金有限公司 Jilin Modern Agricultural and Emerging Markets Investment Fund Limited*	PRC	35.71%	35.71%	Investing in securities
西安航天新能源產業基金投資有限公司 Xi'an Aerospace and New Energy Industry Fund*	PRC	37.06%	37.06%	Investing in securities
上海文化產業股權投資基金合夥企業(有限合夥) Shanghai Cultural Industries Investment Fund (Limited Partnership)*	PRC	42.83%	42.83%	Investing in securities
上海併購股權投資基金合夥企業(有限合夥) Shanghai Equity Investment Fund Limited Partnership*	PRC	33.68%	33.68%	Investing in securities
海通(吉林)現代服務業創業投資基金合夥企業(有限合夥) Haitong (Jilin) Modern Service Industry Investment Fund Limited Partnership*	PRC	34.71%	34.71%	Investing in securities

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Name of entity	Place of establishment	Equity interest held by the Group		Principal activities
		As at 31 December 2018	As at 31 December 2017	
<b>Associates (continued)</b>				
海通興泰(安徽)新興產業投資基金(有限合夥) Haitong Xingtai (Anhui) Emerging Industry Investment Fund Limited Partnership*	PRC	27.58%	28.16%	Investing in equity; Investment management services
海通齊東(威海)股權投資基金合夥企業(有限合夥) Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership	PRC	34.38%	33.96%	Investing in equity, Investment management services
廣東南方媒體融合發展投資基金(有限合夥) Guangdong South Media Integration Fund Limited Partnership	PRC	27.76%	27.76%	Investing in equity, Investment management services
海通(吉林)股權投資基金合夥企業(有限合夥) Haitong (Jilin) Equity Investment Fund Limited Partnership	PRC	27.02%	27.02%	Private equity funds investment
西安軍融電子衛星基金投資有限公司 Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd	PRC	35.71%	35.72%	Investment management services
嘉興海通旭初股權投資基金合夥企業 Jiaxing Haitong Xuchu Equity Investment Fund Limited Partnership	PRC	19.39%	N/A	Investing in equity, Investment management services
上海併購股權投資基金二期合夥企業(有限合夥) Shanghai Equity Investment Fund II Limited Partnership	PRC	19.67%	N/A	Investing in securities

\* The English translated name is for identification only.

All of these joint ventures and associates are unlisted entities without quoted market price available.

All of these associates and joint ventures are accounted for using the equity method in these consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

*Note:*

- (i) As at 31 December 2018 and 2017, the Group held the interests of participating shares of Haitong Freedom Multi-Tranche Bond Fund (referred as the "Fund" for the purpose of this paragraph) as disclosed above that the participating shares provide the Group with the share of returns from the Fund but not any decision-making power nor any voting right in daily operation of the Fund.

As at 31 December 2017, the Group held 50% of the management shares in the Fund and the other 50% management shares were held by another corporation. The management shareholders were empowered to make all the key financing and operating decisions in the Fund and require unanimous consent of the parties sharing control. The arrangement of sharing of control was contractually agreed by both parties. As such, the interests of the Group in the Fund were classified as a joint venture for the prior year.

On 30 September 2018, the Group entered into an agreement with the independent third-party to end the agreement of joint control contractually agreed with the independent third party. During the current year, the Group had partly redeemed the interests from this fund with the reduction of the variable returns. Accordingly, in the opinion of the directors of the Company, the variable returns that the Group is exposed to with respect to the Fund is not significant and the Group is primarily acting as an agent. Therefore, the Group accounted for the interest in the Fund as financial assets at FVTPL in "Funds" in accordance with IFRS 9. The carrying amount of the interest in the Fund approximated the fair value on that date. The results of the Fund were recognised as "share of results of investments accounted for using the equity method" up to date of cessation of such joint control mentioned above.

The current carrying amount of the interest held by the group amounted to RMB4,440 million as at 31 December 2017 represents the Group's maximum exposure over its investment in the Fund.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

The financial information of Fullgoal Fund Management Co., Ltd which is an individually significant associate to the Group, is set out below:

#### Fullgoal Fund Management Co., Ltd

	<b>2018/12/31</b>	2017/12/31
	<b>RMB'000</b>	RMB'000
Total assets	<b>4,701,753</b>	4,227,516
Total liabilities	<b>1,308,774</b>	1,383,135
Net assets	<b>3,392,979</b>	2,844,381
Total revenue	<b>2,381,397</b>	2,367,618
Net profit	<b>703,983</b>	726,063
Total comprehensive income	<b>698,598</b>	719,867



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 24. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

#### Fullgoal Fund Management Co., Ltd (continued)

Reconciliation of the above financial information to the carrying amount of the interest in above associate recognised in the financial statements:

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Equity attributable to equity holders of the associate	<b>3,392,979</b>	2,844,381
Proportion of equity interests held by the Group	<b>27.775%</b>	27.775%
Carrying amount	<b>942,400</b>	790,027

Aggregate information of associates and joint ventures that are not individually material:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
The Group's share of (loss)/profit	<b>(162,822)</b>	506,822
The Group's share of other comprehensive expense	<b>(230,489)</b>	(22,103)
The Group's share of total comprehensive (expense)/income	<b>(393,311)</b>	484,719
Aggregate carrying amount of the Group's interests in these associates and joint ventures	<b>4,370,481</b>	9,272,343

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 25. FINANCE LEASE RECEIVABLES

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Minimum finance lease receivables		
– Not later than one year	<b>34,796,245</b>	24,140,952
– Later than one year and not later than five years	<b>34,344,977</b>	25,036,034
– Later than five years	<b>284,646</b>	63,982
Gross amount of finance lease receivables	<b>69,425,868</b>	49,240,968
Less: unrealized finance income	<b>(6,068,188)</b>	(4,222,749)
Present value of minimum finance lease receivables	<b>63,357,680</b>	45,018,219
Less: Allowance for impairment losses	<b>(1,704,968)</b>	(1,482,043)
<u>Carrying amount of finance lease receivables</u>	<b>61,652,712</b>	43,536,176
Present value of minimum finance lease receivables		
– Not later than one year	<b>31,754,869</b>	22,070,701
– Later than one year and not later than five years	<b>31,343,044</b>	22,889,023
– Later than five years	<b>259,767</b>	58,495
<u>Total</u>	<b>63,357,680</b>	45,018,219
Analyzed as:		
Current assets	<b>30,828,048</b>	21,323,548
Non-current assets	<b>30,824,664</b>	22,212,628
	<b>61,652,712</b>	43,536,176



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 25. FINANCE LEASE RECEIVABLES (continued)

The following table shows reconciliation of loss allowances that has been recognised for finance lease receivables.

	12m ECL <i>RMB'000</i>	Lifetime ECL (not credit- impaired) <i>RMB'000</i>	Lifetime ECL (credit- impaired) <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2018	779,240	404,336	312,632	1,496,208
Impairment losses recognised/(reversed)	216,168	(38,984)	544,877	722,061
Recoveries of amount written-off in previous years	–	–	20,261	20,261
Written-off	–	–	(533,562)	(533,562)
<b>As at 31 December 2018</b>	<b>995,408</b>	<b>365,352</b>	<b>344,208</b>	<b>1,704,968</b>

As at 31 December 2018, a substantial portion of finance lease receivables is at stage 1, of which the loss allowance is measured at 12 month ECL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 26. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Structured entities the Group served as the investment manager, therefore has power over them during the year include private equity funds and asset management products. Except for the structured entities the Group has consolidated as detailed in Note 22, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group acts as manager in are not significant. The Group therefore did not consolidate these structured entities.

The carrying amount of unconsolidated structured entities in which the Group acted as investment manager and held financial interests and its maximum exposure to loss in relation to those interests amounted to RMB7,050,866,000 and RMB9,069,000,000 as at 31 December 2018 and 31 December 2017, respectively. Total fee income from all structured entities in which the Group acted as investment manager is RMB1,548,484,000 and RMB1,593,472,000 respectively.

In addition to those interests in unconsolidated structured entities managed by the Group as disclosed above, the Group also has interests in unconsolidated structured entities in which the Group did not act as investment manager. The total maximum exposure to loss in relation to the Group's interests in structured products and trust products approximate to their respective carrying amounts as disclosed in Note 27 and Note 31.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 27. AVAILABLE-FOR-SALE INVESTMENTS

	2017/12/31
	<i>RMB'000</i>
Debt securities	4,959,363
Equity	7,756,085
Funds	5,018,028
Others ( <i>Note ii</i> )	23,495,280
	<u>41,228,756</u>
Analysed as:	
Listed in Hong Kong	56,115
Listed outside Hong Kong (primarily in Mainland China)	4,661,374
Unlisted	36,511,267
	<u>41,228,756</u>
Analysed as:	
Listed equity securities ( <i>Note i</i> )	2,315,782
Unlisted equity securities	5,440,303
	<u>7,756,085</u>
Analysed for reporting purpose as:	
Current assets	9,503,398
Non-current assets	31,725,358
	<u>41,228,756</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 27. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

- (i) Included in the Group's listed equity securities are amounts of approximately RMB1,732,080,000 as at 31 December 2017, which are restricted shares with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.
- (ii) Except for the investment described below, others comprise of structured products and trust products where funds are mainly invested in listed securities or open-ended funds and the Group's return of investment is tied to the result of such investments.

Others also include the investment into a special account managed by China Securities Finance Corporation Limited (the "CSFCL"). As of 31 December 2017, the cost of the investment was RMB15 billion, and the Company determined the fair value on the basis of the report provided by the CSFCL. CSFCL executes unified operation and investment management, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions.

In the opinion of the directors of the Company, non-current available-for-sale investments are expected to be realised or restricted for sale over one year from the end of the respective reporting periods.

As of 31 December 2017, the Company has entered into securities lending arrangement with clients that resulted in the transfer of available-for-sale investments with total fair value of RMB1,517,000 to external. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

RMB5,383,646,000 (Note 51) cash collateral was received from clients for securities lending arrangement and margin financing activities carried out in the PRC, and reported under accounts payable to brokerage clients.

As of 31 December 2017, the impairment allowance of available-for-sale equity instruments was RMB533,104,000.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 28. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>2018/12/31</b> <b>RMB'000</b>
China Securities Finance Corporation Limited ("CSFCL") (Note i)	<b>14,651,458</b>
Other equity investments	<b>576,833</b>
	<b>15,228,291</b>
Analysed as:	
– Listed	<b>366,853</b>
– Unlisted	<b>14,861,438</b>
	<b>15,228,291</b>

*Note:*

As the above equity instruments are not held for trading purpose, the Group has designated these investments as equity instruments at fair value through other comprehensive income at the date of initial application of IFRS 9.

- (i) This is the investment into a fund managed by China Securities Finance Corporation Limited (the "CSFCL"). As of 31 December 2018, the cost of the investment was RMB15 billion, and the company determined the fair value on the basis of the report provided by the CSFCL. CSFCL executes unified operation and investment management, while all the investors including the Company share investment risks as well as potential income in proportion to their contributions.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 29. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018/12/31 <i>RMB'000</i>
Unlisted bond investment	10,650,869
Listed bond investment	4,480,361
	<b>15,131,230</b>
Analysed for reporting purpose as:	
Current assets	9,362,242
Non-current assets	5,768,988
	<b>15,131,230</b>
Loss allowance	<b>20,379</b>

The Group hold the debt instrument for the purpose of collecting the interests of the bonds and sell the bonds under the favourable market environment.

As at 31 December 2018, a substantial proportion of debt instruments at fair value through other comprehensive income is stage 1 of which the loss allowance is measured at 12 month ECL.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 30. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	<b>2018/12/31</b>
	<b><i>RMB'000</i></b>
Analysed by type:	
Debt securities	682,726
Interest receivable	4,082
Less: impairment allowance	(3,512)
	<b>683,296</b>
Analysed for reporting purpose as:	
Current assets	4,082
Non-current assets	679,214
	<b>683,296</b>

As of 31 December 2018, a substantial proportion of debt instruments measured at amortised cost is at stage 1 of which the loss allowance is measured at 12 month ECL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Debt securities	<b>103,204,443</b>	63,166,764
Equity securities ( <i>Note i, iii</i> )	<b>17,652,596</b>	15,858,852
Funds ( <i>Note i, ii</i> )	<b>28,143,504</b>	14,497,368
Others	<b>28,204,871</b>	6,333,711
	<b>177,205,414</b>	99,856,695
Analysed for reporting purpose as:		
Current assets	<b>158,837,008</b>	98,904,357
Non-current assets ( <i>Note ii</i> )	<b>18,368,406</b>	952,338
	<b>177,205,414</b>	99,856,695

Notes:

- (i) As at 31 December 2018, the Group has entered into securities and funds lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with a total fair value of RMB1,832,000 (31 December 2017: RMB12,005,000) to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.
- (ii) For financial assets in connection with structured products with the maturity more than one year, they are classified as non-current assets as they are not expected to be settled within one year.
- (iii) Included in the Group's equity securities are amounts of approximately RMB3,282,000 as at 31 December 2018 (31 December 2017: RMB1,732,080,000), which are restricted shares with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair values of these securities have taken into account the relevant features including the restrictions.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Analysed by collateral type:		
Stock ( <i>Note</i> )	56,086,767	76,442,210
Bonds	25,606,604	20,101,753
Fund	–	220
Structured products	350,000	350,000
Finance lease receivables	987,000	–
Interest receivable	382,173	–
Less: Allowance for credit losses	<b>(734,352)</b>	(344,314)
	<b>82,678,792</b>	96,549,869
Analysed by market:		
Stock Exchange	67,615,018	81,599,830
Inter-bank	8,435,611	14,944,353
Over the counter (“OTC”)	6,980,342	350,000
Interest receivable	382,173	–
Less: Allowance for credit losses	<b>(734,352)</b>	(344,314)
	<b>82,678,792</b>	96,549,869
Analysed for reporting purpose as:		
Current assets	71,676,737	75,345,093
Non-current assets	11,002,055	21,204,776
	<b>82,678,792</b>	96,549,869

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (continued)

The following table shows reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

	12m ECL <i>RMB'000</i>	Lifetime ECL (not credit- impaired) <i>RMB'000</i>	Lifetime ECL (credit- impaired) <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2018	76,329	77,632	293,728	447,689
Transfer in	1,274	165	29,331	30,770
Impairment losses recognised/(reversed)	(31,162)	31,105	255,861	255,804
Exchange difference and others	89	–	–	89
<b>As at 31 December 2018</b>	<b>46,530</b>	<b>108,902</b>	<b>578,920</b>	<b>734,352</b>

The table below details the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment:

	12 months ECL <i>RMB'000</i>	Lifetime ECL not credit- impaired <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Gross carrying amount</b>	<b>63,293,833</b>	<b>16,627,530</b>	<b>3,491,781</b>	<b>83,413,144</b>

*Note:* The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchasing the specified securities at a future date with an agreed price.

As of 31 December 2018, for the Group, the carrying amount of these agreements within one year was RMB45,011,899,000 (31 December 2017: RMB55,170,609,000), the carrying amount of these agreements over one year was RMB11,074,868,000 (31 December 2017: RMB21,271,601,000).

As of 31 December 2018, the fair value of the collateral was RMB142,590,350,000 (31 December 2017: RMB215,587,946,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 33. OTHER LOANS AND RECEIVABLES

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Trust products	–	623,000
Structured products	–	5,251,181
Debt investments	<b>12,925,769</b>	11,906,618
Factoring receivable	<b>6,346,945</b>	10,776,874
Entrusted loans and other loans	<b>1,073,970</b>	1,207,197
Less: Allowance for credit losses	<b>(655,154)</b>	(518,295)
	<b>19,691,530</b>	29,246,575
Analysed for reporting purpose as:		
Current assets	<b>14,043,711</b>	21,147,878
Non-current assets	<b>5,647,819</b>	8,098,697
	<b>19,691,530</b>	29,246,575

The following table shows reconciliation of loss allowances that has been recognised for other loans and receivables.

	12m ECL <i>RMB'000</i>	Lifetime ECL (not credit- impaired) <i>RMB'000</i>	Lifetime ECL (credit- impaired) <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2018	322,187	213,191	245,653	781,031
Impairment losses recognised/(reversed)	(95,960)	121,332	(93,537)	(68,165)
Written-off	–	–	(68,033)	(68,033)
Exchange difference and others	1,798	–	8,523	10,321
As at 31 December 2018	<b>228,025</b>	<b>334,523</b>	<b>92,606</b>	<b>655,154</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 33. OTHER LOANS AND RECEIVABLES (CONTINUED)

The table below details the credit risk exposures of the Group's other loans and receivables, which are subject to ECL assessment:

As at 31 December, 2018

	12months ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
Gross carrying amount	19,062,149	1,163,059	121,476	20,346,684

### 34. LOANS AND ADVANCES

	2018/12/31 RMB'000	2017/12/31 RMB'000
Customer loans and advances	4,828,217	5,756,475
Interest receivable	144,038	–
Less: Impairment loss allowances	(608,768)	(918,203)
	<b>4,363,487</b>	4,838,272
Analysed for reporting purpose as:		
Current assets	618,924	751,375
Non-current assets	3,744,563	4,086,897
	<b>4,363,487</b>	4,838,272



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 34. LOANS AND ADVANCES (continued)

The following table shows reconciliation of loss allowances that has been recognised for loans and advances.

	12m ECL <i>RMB'000</i>	Lifetime ECL (not credit- impaired) <i>RMB'000</i>	Lifetime ECL (credit- impaired) <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2018	14,968	15,378	888,516	918,862
Transfer in	749	163	19,635	20,547
– Impairment losses recognised	6,495	19,180	155,804	181,479
– Written-off	–	–	(519,785)	(519,785)
Exchange difference and others	(289)	(314)	8,268	7,665
<b>As at 31 December 2018</b>	<b>21,923</b>	<b>34,407</b>	<b>552,438</b>	<b>608,768</b>

The table below details the credit risk exposures of the Group's loans and advances, which are subject to ECL assessment:

#### As at 31 December, 2018

	12 months ECL <i>RMB'000</i>	Lifetime ECL not credit- impaired <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
Gross carrying amount	2,704,049	1,060,766	1,207,440	4,972,255

### 35. DEFERRED TAXATION

For the purpose of presentation in the Group's statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Deferred tax assets	3,241,202	2,851,450
Deferred tax liabilities	(206,710)	(867,320)
	<b>3,034,492</b>	1,984,130



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 35. DEFERRED TAXATION (continued)

The following are the major deferred tax (liabilities) assets recognised and movements thereon:

	Financial assets/ liabilities at fair value through profit or loss RMB'000	Accelerated depreciation RMB'000	Derivative assets RMB'000	Accrued but not paid expenses RMB'000	Available- for-sale investments RMB'000	Debt instrument at fair value through other comprehensive income RMB'000	Equity instrument at fair value through other comprehensive income RMB'000	Derivative liabilities RMB'000	Provision of loans and receivables RMB'000	Tax losses and Others RMB'000	Total RMB'000
At 1 January 2017	(30,315)	(16,560)	(52,227)	958,323	(125,663)	-	-	37,739	1,139,148	305,895	2,216,340
(Change) credit to profit or loss	(41,242)	(2,630)	49,004	(7,738)	5,547	-	-	(4,425)	305,995	29,969	334,480
Charge to other comprehensive income	-	-	-	-	(475,647)	-	-	-	-	-	(475,647)
Effects of exchange rate	(72)	1,081	3,043	(4,734)	(2,008)	-	-	-	(68,390)	(19,963)	(91,043)
At 31 December 2017	(71,629)	(18,109)	(180)	945,851	(597,771)	-	-	33,314	1,376,753	315,901	1,984,130
Tax impact arising from adoption of IFRS 9	(185,459)	-	-	-	597,771	(17,524)	(399,798)	-	100,709	19,870	115,569
At 1 January 2018	(257,088)	(18,109)	(180)	945,851	-	(17,524)	(399,798)	33,314	1,477,462	335,771	2,099,699
Transfer in/transfer out	(2,405)	-	-	-	-	9	-	-	9,840	(7,444)	-
Credit/(charge) to profit or loss (Note 15)	232,473	(31,819)	43,820	(68,570)	-	37,453	-	(18,546)	69,844	268,018	532,673
(Charge)/credit to other comprehensive income	-	-	-	-	-	(31,274)	509,893	-	-	-	478,619
Effects of exchange rate	1,703	(1,027)	77	164	-	(877)	-	-	4,304	(80,843)	(76,499)
At 31 December 2018	(25,317)	(50,955)	43,717	877,445	-	(12,213)	110,095	14,768	1,561,450	515,502	3,034,492

At the end of the reporting period, no deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed earnings of subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is profitable that such differences will not reverse in the foreseeable future.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 36. DEPOSITS WITH EXCHANGES

	2018/12/31 RMB'000	2017/12/31 RMB'000
Deposits with stock exchanges		
– Shanghai Stock Exchange	394,362	653,424
– Shenzhen Stock Exchange	83,606	76,223
– National Equities Exchange and Quotations	1,089	4,200
– Stock Exchange of Hong Kong Limited	1,314	1,254
– Others	372	–
Subtotal	480,743	735,101
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	1,928,026	2,545,406
– Dalian Commodity Exchange	612,824	1,681,289
– Zhengzhou Commodity Exchange	517,536	337,627
– China Financial Futures Exchange	1,670,105	1,552,040
– Shanghai Gold Exchange	1,874	31,173
– HKFE Clearing Corporation Limited	4,200	8,754
– The Chinese Gold & Silver Exchange Society	601	573
– Collateral deposits placed with overseas stock exchange and brokers	1,478,443	1,240,906
Subtotal	6,213,609	7,397,768
Guarantee fund paid to Shanghai Stock Exchange	19,227	24,155
Guarantee fund paid to Shenzhen Stock Exchange	19,461	22,741
Deposit with China Securities Finance Corporation Ltd.	74,742	188,382
Deposit with Shanghai Clearing House	48,589	–
Guarantee fund paid to the SEHK Options Clearing House Ltd.	6,555	15,740
Guarantee fund paid to Hong Kong Securities Clearing Company Ltd.	49,043	76,375
Guarantee fund paid to Securities and Futures Commission	307	293
Others	70,613	68,120
Subtotal	288,537	395,806
Total	6,982,889	8,528,675
Analysed for reporting purpose as:		
Current assets	5,601,350	7,180,974
Non-current assets	1,381,539	1,347,701
	6,982,889	8,528,675

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 37. BANK BALANCES AND CASH

	2018/12/31 RMB'000	2017/12/31 RMB'000
General accounts	35,574,425	29,820,328
Cash held on behalf of clients (Note i)	62,319,468	70,213,569
Interest receivables	270,171	–
Less: allowance for impairment losses	(1,752)	–
	<b>98,162,312</b>	100,033,897
Less: non-current restricted bank deposits (Note ii)	(739,260)	(675,568)
	<b>97,423,052</b>	99,358,329

Bank balances and cash comprise of cash on hand and demand deposits which bear interest at the prevailing market rates.

Notes:

- (i) The Group received and held money deposited by clients in the course of the conduct of the regulated activities. The Group has recognised the corresponding amount in accounts payable to brokerage clients (Note 51). The Group currently does not have a legally enforceable right to offset these payables with deposit placed.
- (ii) The non-current restricted bank deposits are restricted for fund management risk reserve purpose, pledged bank deposit and margin deposits over one year.

### 38. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2018/12/31 RMB'000	2017/12/31 RMB'000
Bank balances and cash – general account	35,574,425	29,820,328
Less: Restricted bank deposits (Note)	(1,634,107)	(2,106,384)
Deposits with other banks	253,915	316,134
Deposits with central banks other than legal reserve	2,384,561	3,415,915
Clearing settlement funds – House accounts	1,531,888	374,870
	<b>38,110,682</b>	31,820,863

Note:

The current restrictive deposits are margin deposits of notes receivable, margin deposits of borrowings and other pledge of bank deposits within one year.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 39. OTHER ASSETS

	2018/12/31 RMB'000	2017/12/31 RMB'000
Foreclosed assets	148,584	29,099
Prepaid lease payments	808,713	829,519
Others	221,907	217,969
	<b>1,179,204</b>	1,076,587

### 40. ADVANCES TO CUSTOMERS ON MARGIN FINANCING

	2018/12/31 RMB'000	2017/12/31 RMB'000
Loans to margin clients (Note)	49,212,794	61,889,429
Interest receivable	443,455	–
Less: Allowance for credit losses (Note)	(795,240)	(328,476)
	<b>48,861,009</b>	61,560,953
Analysed for reporting purpose as:		
Current	<b>48,861,009</b>	61,560,953
	<b>48,861,009</b>	61,560,953

The following table shows reconciliation of loss allowances that has been recognised for advances to customers on margin financing.

	12m ECL RMB'000	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2018	60,946	32,757	240,224	333,927
Transfer in	443	13	1	457
– Impairment losses recognised/(reversed)	(41,959)	16,192	482,175	456,508
– Written-off	–	–	(6,492)	(6,492)
Exchange difference and others	10,840	–	–	10,840
As at 31 December 2018	<b>30,270</b>	<b>48,962</b>	<b>716,008</b>	<b>795,240</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 40. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (continued)

The table below details the credit risk exposures of the Group's advances to customers on margin financing, which are subject to ECL assessment:

As at 31 December, 2018

	12 months ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
Gross carrying amount	42,384,302	5,724,598	1,547,349	49,656,249

Note:

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The majority of the loans to margin clients, which are secured by the underlying pledged securities, are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the shortfall.

Loans to margin clients as at 31 December 2018 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB155,961,015,000 (31 December 2017: RMB209,005,831,000).

As at 31 December 2018, included in the Group's accounts payable to brokerage clients were approximately RMB3,934,801,000 (31 December 2017: RMB5,383,646,000) cash collateral received from clients for securities lending and margin financing arrangement.

The directors of the Company are of the opinion that the aging analysis does not give additional value in view of the nature of the business. As a result, no aging analysis is disclosed. The Group determines the allowance for impaired debts based on the evaluation of collectability and management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and unrelated.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 41. ACCOUNTS RECEIVABLE

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Accounts receivable from:		
– Cash clients	1,074,065	377,293
– Brokers, dealers and clearing house	6,434,981	6,021,541
– Advisory and financial planning	19,558	22,787
– Asset and fund management	589,570	793,758
– Others	262,246	342,689
	<b>8,380,420</b>	7,558,068
Less: allowance for credit losses on accounts receivable	<b>(123,206)</b>	(116,068)
	<b>8,257,214</b>	7,442,000

Aging analysis of accounts receivable from the trade date is as follows:

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Between 0 and 3 months	7,563,111	6,746,631
Between 4 and 6 months	32,677	226,884
Between 7 and 12 months	490,998	315,730
Over 1 year	170,428	152,755
	<b>8,257,214</b>	7,442,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 42. DERIVATIVE INSTRUMENTS

	2018/12/31		2017/12/31	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Stock index futures contracts (Notes i)	–	–	–	–
Treasury futures Contracts (Note ii)	–	–	–	–
Commodity futures Contracts (Note iii)	5,956	–	68,037	–
Interest rate swap Contracts (Note iv)	1,165,165	1,350,329	1,532,748	1,602,469
Equity swap (Note v)	153,309	176,291	63,514	236,272
Forward contracts	56,126	118,753	93,772	119,347
Options (Note vi)	386,392	507,744	532,825	1,528,251
Embedded equity instruments	421	29,543	–	86
Debts linked note	–	–	265,955	–
Foreign exchange swap	2,671	24,943	18,990	6,597
Credit default swap	10,717	11,171	34,771	2,432
<b>Total</b>	<b>1,780,757</b>	<b>2,218,774</b>	<b>2,610,612</b>	<b>3,495,454</b>

Notes:

#### (i) Stock index futures

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2018 and 31 December 2017. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period. The contract value of the outstanding stock index futures contracts that the Group held not to hedge the market risk of the securities lent or to be lent to clients is RMB2,230,590,000 (31 December 2017: RMB299,927,000) with fair value gain RMB46,050,000 (2017: fair value gain RMB3,251,000).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 42. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

### (ii) Treasury futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2018 and 31 December 2017. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period.

Contract	2018/12/31	
	Contract value RMB'000	Fair value RMB'000
T1903	3,908,400	(56,747)
T1903	1,954,200	10,967
TF1903	1,590,080	(5,191)
Total	7,452,680	(50,971)
Plus: settlements		50,971
Net position		—

Contract	2017/12/31	
	Contract value RMB'000	Fair value RMB'000
T1803	93,175	(232)
T1803	96,902	(97)
TF1803	4,315,418	(11,497)
Total	4,505,495	(11,826)
Plus: settlements		11,826
Net position		—



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 42. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

#### (iii) Commodity futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in commodity futures were settled daily and the corresponding payments or receipts were included in "clearing settlement funds". As at 31 December 2018, the net position of the commodity futures contracts under the daily mark-to-market and settlement arrangement was nil.

As at 31 December 2018, the fair value gains of commodity future contract that the Group holds not under the daily mark-to-market and settlement arrangement is RMB5,956,000.

Contract	2018/12/31	
	Contract value RMB'000	Fair value RMB'000
Commodity	283,351	5,956
Total	283,351	5,956

Contract	2017/12/31	
	Contract value RMB'000	Fair value RMB'000
Commodity	828,925	68,037
Total	828,925	68,037

#### (iv) Interest rate swap contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap ("IRS") were settled daily in Shanghai Clearing House and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2018. Accordingly, the net position of the IRS contracts in derivative instruments was nil at the end of reporting period. As at 31 December 2018, under the daily mark-to-market and settlement arrangement, the contract values of the Group's IRS contracts are approximately RMB16,280,000,000 (31 December 2017: RMB10,790,000,000).

For IRS contracts in mainland China and Hong Kong market not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period. As at 31 December 2018, for IRS contracts not under the daily mark-to-market and settlement arrangement, the contract values of those IRS contracts of the Group are approximately RMB34,208,897,000 (31 December 2017: RMB36,634,430,000).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 42. DERIVATIVE INSTRUMENTS (continued)

Notes: (continued)

#### (iv) Interest rate swap contracts (continued)

	2018/12/31		
	Contract value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settled in Shanghai Clearing House	16,280,000	20,566	–
IRS – non-centralised settlement	34,208,897	1,165,165	(1,350,329)
<b>Total</b>	<b>50,488,897</b>	<b>1,185,731</b>	<b>(1,350,329)</b>
Plus: settlements		(20,566)	–
<b>Net position of IRS contracts</b>		<b>1,165,165</b>	<b>(1,350,329)</b>

	2017/12/31		
	Contract value RMB'000	Assets RMB'000	Liabilities RMB'000
IRS – settled in Shanghai Clearing House	10,790,000	–	(7,433)
IRS – non-centralised settlement	36,634,430	1,532,748	(1,602,469)
<b>Total</b>	<b>47,424,430</b>	<b>1,532,748</b>	<b>(1,609,902)</b>
Plus: settlements		–	7,433
<b>Net position of IRS contracts</b>		<b>1,532,748</b>	<b>(1,602,469)</b>

#### (v) Equity swap

As at 31 December 2018, the notional principal amounts of the equity swap held by the Group was approximately RMB1,248,278,000 (31 December 2017: RMB1,038,712,000).

#### (vi) Options

As at 31 December 2018, the notional principal amounts of the Group's options purchased or written in Mainland China were approximately RMB16,866,539,000 with a net fair value loss of RMB200,766,000 (31 December 2017: RMB168,659,532,000 with a net fair value loss of RMB471,132,000). The notional principal amounts of the Group's listed options purchased or written outside Mainland China were approximately RMB20,949,114,000 with a net fair value gain of RMB79,414,000 (31 December 2017: RMB10,879,819,000 with a net fair value gain of RMB455,830,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 43. HELD-TO-MATURITY INVESTMENTS

	2017/12/31 RMB'000
Debt securities listed in Hong Kong	78,718
Analysed for reporting purpose as:	
Current assets	78,718
Non-current assets	–
	<u>78,718</u>

As of 31 December 2017, the fair value of the held-to-maturity investments was approximately RMB78,867,000. The related interest rates on such bonds for the year ended 31 December 2017 is 4.1% per annum.

### 44. OTHER RECEIVABLES AND PREPAYMENTS

	2018/12/31 RMB'000	2017/12/31 RMB'000
Interest receivable (Note i)	–	3,703,899
Dividend receivable	387	3,614
Other receivables and prepayments (Note ii)	3,500,444	2,302,664
	<b>3,500,831</b>	6,010,177
Less: allowance for credit losses on other receivables	<b>(469,103)</b>	(465,907)
	<b>3,031,728</b>	5,544,270



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 44. OTHER RECEIVABLES AND PREPAYMENTS (continued)

Notes:

- (i) As at 31 December 2018, the interests accrued on financial assets of the Group are included in the carrying amounts of the corresponding financial assets.
- (ii) The other receivables and prepayments mainly represent short-term rental deposits placed with landlords under operating leases, other prepaid expenses for daily operation and other receivable and prepayments items such as prepaid taxes.
- (iii) Included in the allowance for credit losses of the Group mainly represents a gross receivable of RMB440,894,000 from an independent third party. In the opinion of the directors of the Company, the recoverability of the receivable is remote and a full provision was made in prior year. As of 31 December 2016, accumulated amounts of RMB109,106,000 of the above receivable has been recovered. In 2017 and 2018, amounts of the above receivable were not recovered.

### 45. PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Overseas bank and other financial institutions	30,949	679,092
Interest receivable	195	–
	<b>31,144</b>	679,092

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 46. CLEARING SETTLEMENT FUNDS

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Clearing settlement funds held with clearing houses for:		
House accounts	1,531,888	374,870
Customer	6,114,673	7,607,859
	<b>7,646,561</b>	7,982,729

These clearing settlement funds are held by the clearing houses for the Group and can be withdrawn by the Group at will. These balances carry interest at prevailing market interest rates.

### 47. DEPOSITS WITH CENTRAL BANKS AND OTHER BANKS

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Deposits with central banks other than legal reserve	2,384,561	3,415,915
Legal reserve	41,675	29,781
Total	<b>2,426,236</b>	3,445,696
Deposits with other banks	253,915	316,134
Less: Allowance for impairment losses	(7)	-
Total	<b>253,908</b>	316,134
	<b>2,680,144</b>	3,761,830

Deposits with central banks other than legal reserve is repayable on demand. Legal reserve deposits are non-interest bearing.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 48. BORROWINGS

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Short-term borrowings:		
Secured borrowings ( <i>Note</i> )	2,512,767	4,995,954
Unsecured borrowings	34,329,905	25,716,876
Interest payable	73,966	–
	<b>36,916,638</b>	30,712,830
Long-term borrowing:		
Secured borrowings ( <i>Note</i> )	23,593,384	21,657,134
Unsecured borrowings	19,565,827	8,952,026
Interest payable	127,471	–
	<b>43,286,682</b>	30,609,160
<b>Total</b>	<b>80,203,320</b>	61,321,990
Current liabilities:		
Short-term borrowings	36,842,672	30,712,830
Long-term borrowings due within one year	15,445,053	14,798,617
Interest payable	201,437	–
	<b>52,489,162</b>	45,511,447
Non-current liabilities:		
Long-term borrowings	27,714,158	15,810,543
	<b>80,203,320</b>	61,321,990

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 48. BORROWINGS (continued)

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Analysis by maturity:		
Less than 1 year	<b>52,489,162</b>	45,511,447
1-2 year	<b>13,489,297</b>	11,021,793
2-5 year	<b>12,692,442</b>	4,788,750
Over 5 years	<b>1,532,419</b>	–
	<b>80,203,320</b>	61,321,990

*Note:*

Borrowings of approximately to RMB57 million (31 December 2017: Nil) are secured by the 33th floor of No. 689 Guangdong Road, the Haitong Securities Tower.

Borrowings of approximately to RMB489 million (31 December 2017: RMB515 million) are secured by the land of 4/2, No.169, The Bund Street and the 100% shares of the Shanghai Weitai Property Management Co., Ltd. held by the Group.

Borrowings of RMB313 million (31 December 2017: RMB1,181 million) are secured by the listed shares (held by the Group as security for advances to customers in margin financing with the customers' consent) of RMB3,528 million (31 December 2017: RMB10,826 million) at fair value and the borrowings of RMB116 million (31 December 2017: RMB519 million) are secured by debt investments of RMB297 million (31 December 2017: RMB1,194 million) held by the Group and presented in financial assets held for trading and market making activities to the consolidated statement of financial position.

Bank borrowings of RMB2,629 million (31 December 2017: RMB2,006 million) are secured by the investment fund of RMB3,430 million at fair value (31 December 2017: RMB2,599 million) which is the dealing price of that fund derived from the net asset values of that fund with reference to observable quoted price of underlying investment portfolio in active markets.

Non-current portion borrowing of RMB2,155 million (31 December 2017: RMB2,051 million) is secured by listed debt securities of approximately RMB2,102 million (31 December 2017: RMB2,032 million) at fair value.

Non-current portion of RMB5,857 million (31 December 2017: RMB2,070 million) are secured by the shares of UT Capital and Haitong Bank respectively.

Non-current portion borrowings of RMB12,932 million (31 December 2017: RMB5,981 million), current portion borrowing of RMB1,558 million (31 December 2017: RMB7,815 million) are secured by the finance leases receivable of RMB21,192 million (31 December 2017: RMB21,589 million).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 49. SHORT-TERM FINANCING BILLS PAYABLES

	<b>2018/12/31</b>	2017/12/31
	<b>RMB'000</b>	RMB'000
Analysed as:		
Inter-bank (Note i)	<b>5,358,876</b>	5,595,758
Other (Note ii)	<b>21,179,092</b>	23,831,004
	<b>26,537,968</b>	29,426,762

*Notes:*

- (i) On 27 March 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued super short-term commercial paper in principal amount of RMB1,250 million which carries a fixed annual interest rate of 5.00% with a maturity period of 1 year.

On 30 May 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued ultra-short-term commercial paper in principal amount of RMB1,000 million which carries a fixed annual interest rate of 5.32% with a maturity period of 9 months.

On 31 October 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued super short-term commercial paper in principal amount of RMB1,000 million which carries a fixed annual interest rate of 4.30% with a maturity period of 1 year.

On 22 November 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued ultra-short-term commercial paper in principal amount of RMB1,000 million which carries a fixed annual interest rate of 3.94% with a maturity period of 9 months.

On 18 December 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued ultra-short-term commercial paper in principal amount of RMB1,000 million which carries a fixed annual interest rate of 4.00% with a maturity period of 9 months.

- (ii) Other short-term financing bills payables mainly represent the short-term income certificates issued by the Company and the subsidiary of the Group with maturities ranged from 6 days to 12 months. The coupon rate of the outstanding products were between 2.90% and 6.10% per annum.

In addition, as at 31 December 2018, the outstanding medium term notes issued by the Group's subsidiaries are as follows:

On 17 January 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD780 million (equivalent to RMB683 million) which carries a coupon rate of Hibor +1.25% with a maturity period of 1 year.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 49. SHORT-TERM FINANCING BILLS PAYABLES (continued)

Notes: (continued)

(ii) (continued)

On 6 February 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD541 million (equivalent to RMB474 million) which carries coupon rate of 2.80% with a maturity period of 1 year.

On 12 February 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD200 million (equivalent to RMB175 million) which carries a coupon rate of 2.65% with a maturity period of 1 year.

On 13 February 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD275 million (equivalent to RMB241 million) which carries a coupon rate of Hibor +1.20% with a maturity period of 1 year.

On 13 February 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD593 million (equivalent to RMB520 million) which carries a coupon rate of 5.20% with a maturity period of 1 year.

On 13 March 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD178 million (equivalent to RMB156 million) which carries a coupon rate of 5.30% with a maturity period of 1 year.

On 10 April 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD373 million (equivalent to RMB327 million) which carries a coupon rate of 5.20% with a maturity period of 1 year.

On 10 April 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD450 million (equivalent to RMB394 million) which carries a coupon rate of 2.70% with a maturity period of 1 year.

On 10 April 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD354 million (equivalent to RMB310 million) which carries a coupon rate of 2.00% with a maturity period of 1 year.

On 11 April 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of USD30 million (equivalent to RMB206 million) which carries a coupon rate of 3.50% with a maturity period of 1 year.

On 2 May 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD335 million (equivalent to RMB294 million) which carries a coupon rate of 2.10% with a maturity period of 1 year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 49. SHORT-TERM FINANCING BILLS PAYABLES (continued)

Notes: (continued)

(ii) (continued)

On 23 May 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD1,293 million (equivalent to RMB1,132 million) which carries coupon rate of 5.20% with a maturity period of 1 year.

On 23 May 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD1,500 million (equivalent to RMB1,314 million) which carries a coupon rate of 0% with a maturity period of 1 year.

On 10 July 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD230 million (equivalent to RMB202 million) which carries a coupon rate of Hibor +1.35% with a maturity period of 1 year.

On 19 July 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD391 million (equivalent to RMB343 million) which carries a coupon rate of 3.5% with a maturity period of 9 months.

On 27 July 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD205 million (equivalent to RMB180 million) which carries a coupon rate of Hibor +1.32% with a maturity period of 1 year.

On 2 August 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD782 million (equivalent to RMB685 million) which carries a coupon rate of 3.5% with a maturity period of 9 months.

On 10 August 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD797 million (equivalent to RMB698 million) which carries a coupon rate of 3.0% with a maturity period of 1 year.

On 14 August 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD199 million (equivalent to RMB174 million) which carries a coupon rate of 3.0% with a maturity period of 1 year.

On 20 August 2018, the Group's subsidiary HISGL issued medium term notes in principal amount of HKD939 million (equivalent to RMB823 million) which carries a coupon rate of 3.5% with a maturity period of 9 months.

On 13 August 2018, the Group's wholly owned subsidiary Unican Limited issued medium term notes in principal amount of USD60 million (equivalent to RMB412 million) which carries a fixed annual interest of 4.30% with a maturity period of 1 year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 50. BONDS PAYABLE

	2018/12/31 RMB'000	2017/12/31 RMB'000
Convertible bonds (Note i)	3,451,821	3,231,864
Non-convertible bonds (Note ii)	90,403,444	73,616,916
Subordinated notes (Note iii)	13,451,167	31,844,619
Asset backed securities (Note iv)	21,712,467	7,470,071
Others (Note v)	11,127,958	13,994,799
	<b>140,146,857</b>	130,158,269
Analysed for reporting purpose as:		
Current liabilities	41,923,410	14,739,105
Non-current liabilities	98,223,447	115,419,164
	<b>140,146,857</b>	130,158,269

Notes:

- (i) The Group's subsidiary HISGL has issued convertible bonds in principal amount of HKD1,008 million (equivalent to RMB883 million), HKD1,164 million (equivalent to RMB1,020 million) and HKD3,880 million (equivalent to RMB3,400 million) in 2013, 2014 and 2016 respectively and these convertible bonds bear interest at a fixed rate with a maturity period of 5 years.

The values of the liability component and the equity conversion component were determined at the issuance of the bonds. Please refer to HISGL announcements on 18 July 2013, 10 October 2013, 4 November 2014, 12 October 2016 and 25 October 2016 for details of the bonds.

As at 31 December 2018, the conversion prices of convertible bonds issued by HISGL in 2014 and 2016 are HKD4.32 equivalent to RMB3.79 per share (31 December 2017: HKD4.61 equivalent to RMB3.85 per share) and HKD6.09 equivalent to RMB5.34 per share (31 December 2017: HKD6.53 equivalent to RMB3.79 per share) respectively. As at 31 December 2017, the conversion prices of convertible bond issued by the Company in 2013 was HKD2.76 equivalent to RMB2.42 per share.

During the current year, convertible bonds issued by HISGL in 2013 with the principal amount of HKD2 million (equivalent to RMB1.75 million) were converted into ordinary shares of the Company and accordingly all convertible bonds issued in 2013 were converted as at 31 December 2018. The bond has then been cancelled and there are no longer any outstanding units. No convertible bonds issued by the Company in 2014 and 2016 were converted during the current year and the prior year.

During the prior year, no convertible bonds issued by the Company in 2013, 2014 and 2016 were converted into ordinary shares of the Company.

As at 31 December 2018, the number of outstanding shares convertible under the convertible bonds issued in 2014 and 2016 are 31,712,962 (31 December 2017: 29,718,004) and 637,110,016 (31 December 2017: 594,180,704) respectively. As at 31 December 2017, the number of outstanding shares convertible under the convertible bond issued in 2013 were 724,638.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 50. BONDS PAYABLE (continued)

Notes: (continued)

- (ii) On 25 November 2013, the Company issued non-convertible bonds with a principal amount of RMB12,000 million at par. Those bonds carry fixed interest rate with maturity terms of three years, five years and ten years, respectively. The principle amounts are RMB7,260 million (due for payment), RMB2,350 million and RMB2,390 million and bear interest rate at 6.05%, 6.15% and 6.18% per annum, respectively. The bonds with maturity terms of three years and five years have been repaid.

On 14 July 2014, the Company issued non-convertible bonds with a principal amount of RMB11,000 million at par. Those bonds carry fixed interest rate with maturity terms of three years, five years and ten years, respectively. The principal amounts are RMB5,650 million, RMB4,550 million and RMB800 million and bear interest rate at 5.25% per annum, 5.45% per annum and 5.85% per annum, respectively. The bonds with maturity terms of three years have been repaid.

On 18 May 2016, the Company issued non-convertible bonds with a principal amount of RMB20,000 million at par. Those bonds carry fixed interest rate with maturity terms of four years and five years, respectively. The principal amounts are RMB15,000 million and RMB5,000 million and bear interest rate at 3.6% and 3.8% per annum, respectively. The Company has an option to redeem all or some of the four-year bonds in the end of the third year.

On 11 August 2017, the Company issued non-convertible bonds with a principal amount of RMB6,000 million at par. Those bonds carry fixed interest rate with maturity terms of three years and five years respectively. The principle amounts are RMB5,000 million and RMB1,000 million and bear interest rate at 4.63% and 4.80% per annum respectively.

On 22 September 2017, the Company issued non-convertible bonds with a principal amount of RMB5,500 million at par which carries a fixed annual interest rate of 4.99% with a maturity period of 10 years.

On 25 October 2017, the Company issued non-convertible bonds with a principal amount of RMB500 million at par which carries a fixed annual interest rate of 4.77% with a maturity period of 3 years.

On 8 March 2018, the Company issued non-convertible bonds with a principal amount of RMB3,000 million at par. Those bonds carry fixed interest rate at 5.15% per annum with maturity terms of three years.

On 22 March 2018, the Company issued non-convertible bonds with a principal amount of RMB3,000 million at par. Those bonds carry fixed interest rate at 5.14% per annum with maturity terms of three years.

On 10 May 2018, the Company issued non-convertible bonds with a principal amount of RMB3,000 million at par. Those bonds carry fixed interest rate at 4.7% per annum with maturity terms of three years.

On 6 August 2018, the Company issued non-convertible bonds with a principal amount of RMB3,000 million at par. Those bonds carry fixed interest rate at 3.98% per annum with maturity terms of three years.

On 22 November 2018, the Company issued non-convertible bonds with a principal amount of RMB3,000 million at par. Those bonds carry fixed interest rate at 3.88% per annum with maturity terms of three years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 50. BONDS PAYABLE (continued)

Notes: (continued)

(ii) (continued)

On 13 December 2018, the Company issued non-convertible bonds with a principal amount of USD300 million (equivalent to RMB2,059 million) at par. Those bonds carry fixed interest rate at 4.5% per annum with maturity terms of 5 years.

On 13 December 2018, the Company issued non-convertible bonds with a principal amount of EUR230 million (equivalent to RMB1,805 million) at par. Those bonds carry floating interest rate with maturity terms of 5 years.

On 3 December 2015, Haitong Capital Investment Co., Ltd. (海通開元投資有限公司, a subsidiary of the Company) issued unguaranteed bonds with a principal amount of RMB2,000 million. Among which, notes amounting to RMB1,400 million carries a fixed interest rate of 4.25% per annum with a maturity period of five years and notes amounting to RMB600 million carries a fixed interest rate of 3.9% per annum with a maturity period of three years.

On 11 September 2014, the Group's wholly owned subsidiary Haitong International Finance 2014 Limited issued listed guaranteed bonds in principal amount of USD600 million (equivalent to RMB4,118 million) which is guaranteed by HISGL.

On 29 January 2015, the Group's wholly owned subsidiary Haitong International Finance 2015 Limited issued guaranteed bonds with a principal amount of USD700 million (equivalent to RMB4,804 million) which is guaranteed by HISGL.

On 21 April 2015, the Group's wholly owned subsidiary Haitong International Finance Holdings 2015 Limited issued guaranteed bonds with a principal amount of USD670 million (equivalent to RMB4,598 million) which is guaranteed by the Company and the bond is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed interest rate of 3.5% per annum with a maturity period of 5 years. The bond is jointly and severally guaranteed by the Company.

On 18 and 26 May 2016, the Group's wholly owned subsidiary Haitong International Finance Holdings 2015 Limited issued guaranteed bonds in principal amount of EUR220 million (equivalent to RMB1,726 million). The bond carries a fixed annual interest rate of 1.6% with a maturity period of 5 years. The bond is guaranteed by the Company.

On 19 January 2016, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note with a principal amount of RMB400 million which carries a fixed annual interest rate of 3.6% per annum with a maturity period of 3 years.

On 3 June 2016, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note with a principal amount of RMB600 million which carries a fixed annual interest rate of 4.07% per annum with a maturity period of 5 years. The issuer has an option to adjust the interest rate and the investors have an option to sale the notes back to the issuer at the end of the third year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 50. BONDS PAYABLE (continued)

Notes: (continued)

(ii) (continued)

On 15 July 2016, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note with a principal amount of RMB600 million which carries a fixed annual interest rate of 3.7% per annum with a maturity period of 5 years. The issuer has an option to adjust the interest rate and the investors have an option to sale the notes back to the issuer at the end of the third year.

On 20 March 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note with a principal amount of RMB1,000 million which carries a fixed annual interest rate of 5.77% per annum with a maturity period of 3 years.

On 27 April 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued medium term note with a principal amount of RMB800 million which carries a fixed annual interest rate of 5.23% per annum with a maturity period of 3 years.

On 21 September 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued corporate bonds at par with principal amount of RMB800 million, coupon rate of 5.05% and a maturity period of 3 years.

On 26 October 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued corporate bonds at par with principal amount of RMB400 million, coupon rate of 4.85% and a maturity period of 3 years.

On 28 September 2016, the Group's wholly owned subsidiary Uican Limited issued medium term note in principal amount of USD64 million (equivalent to RMB439 million) and a maturity period of 29 months. Note amounting to USD24 million (equivalent to RMB165 million) carries a fixed annual interest rate of 2.90%, and note amounting to USD40 million (equivalent to RMB275 million) carries a fixed interest rate of 3.00% per annum.

On 21 June 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued corporate bonds with a principal amount of RMB1,500 million, which is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed interest rate of 4.95% per annum with a maturity period of 3 years. The par value will be fully redeemed till maturity date.

On 21 July 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued corporate bonds with a principal amount of RMB1,000 million, which is listed on the Hong Kong Exchanges and Clearing Limited. The bond carries a fixed interest rate of 4.7% per annum with a maturity period of 3 years. The par value will be fully redeemed till maturity date.

On 9 November 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued private placement note in principal amount of RMB800 million at par which carries a fixed annual interest rate of 5.80% with a maturity period of 3 years.

On 7 February 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued private placement note in principal amount of RMB600 million at par which carries a fixed annual interest rate of 6.35% with a maturity period of 3 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 50. BONDS PAYABLE (continued)

Notes: (continued)

(ii) (continued)

On 13 June 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued private placement note in principal amount of RMB500 million at par which carries a fixed annual interest rate of 6.50% with a maturity period of 3 years.

On 30 November 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued private placement note in principal amount of RMB800 million at par which carries a fixed annual interest rate of 5.20% with a maturity period of 3 years.

On 12 December 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued private placement note in principal amount of RMB600 million at par which carries a fixed annual interest rate of 5.13% with a maturity period of 2 years.

On 16 May 2016, the Group's subsidiary HISGL issued a medium term note with a principal amount of RMB194 million at par which carries a coupon rate of 5.28% per annum with a maturity period of 3 years. As at 31 December 2018, the outstanding loan balance of the medium term note is RMB193 million.

On 13 June 2016, the Group's subsidiary HISGL issued a medium term note with a principal amount of RMB200 million at par which carries a coupon rate of 5.00% with a maturity period of 3 years. As at 31 December 2018, the outstanding loan balance of the medium term note is RMB199 million.

During 2009 to 2018, the Group's wholly owned subsidiaries Haitong Bank issued a series of debt securities. The balance as at 31 December 2018 was EUR267 million (equivalent to RMB2,095 million) with maturity up to 2 years.

(iii) On 17 November 2016, the Company issued two series of subordinated notes with a total principal amount of RMB6,000 million at par. Among which, notes amounting to RMB4,000 million carries a fixed interest rate of 3.30% per annum with a maturity period of three years and notes amounting to RMB2,000 million carries a fixed interest rate of 3.40% per annum with a maturity period of five years.

On 16 March 2017, the Company issued private placement subordinated note with a principal amount of RMB4,500 million at par which carries a fixed interest rate of 4.80% per annum with a maturity period of 3 years.

On 9 November 2015, Shanghai Haitong Securities Asset Management Company Limited, the subsidiary of the Group issued subordinated note in principal amount of RMB1,000 million at par which carries a fixed annual interest rate of 5.50% with a maturity period of 5 years.

On 4 April 2018, Shanghai Haitong Securities Asset Management Company Limited, the subsidiary of the Group issued subordinated note with a principal amount of RMB1,000 million at par which carries a fixed interest rate of 6.05% per annum with a maturity period of 5 years.

On 31 October 2018, Shanghai Haitong Securities Asset Management Company Limited, the subsidiary of the Group issued subordinated note with a principal amount of RMB1,000 million at par which carries a fixed interest rate of 5.34% per annum with a maturity period of 5 years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 50. BONDS PAYABLE (continued)

Notes: (continued)

- (iv) On 17 November 2017, the Company issued asset-backed security with a principal amount of RMB2,000 million at par which carries a fixed interest rate of 5.20% per annum with a maturity period of 1.5 years. The assets transferred were advances to customers on margin financing. As at 31 December 2018, subordinated asset-backed security of RMB100 million were held by the Company.

On 16 January 2018, the Company issued asset-backed security with a principal amount of RMB5,000 million at par which carries a fixed interest rate of 5.65% per annum with a maturity period of 1.5 years. The assets transferred were advances to customers on margin financing. As at 31 December 2018, subordinated asset-backed security of RMB250 million were held by the Company.

On 19 January 2018, the Company issued asset-backed securities with a principal amount of RMB3,000 million at par which carries a fixed interest rate of 5.60% per annum with a maturity period of 1.5 years. The assets transferred were advances to customers on margin financing. As at 31 December 2018, subordinated asset-backed security of RMB150 million were held by the Company.

On 11 September 2018, the Company issued asset-backed securities with a principal amount of RMB500 million at par which carries a fixed interest rate of 4.55% per annum with a maturity period of 2 years. The assets transferred were advances to customers on margin financing. As at 31 December 2018, subordinated asset-backed security of RMB25 million were held by the Company.

On 7 May 2015, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed securities with two tranches: senior tranche with principal amount of RMB1,362 million, coupon rate of 5.60%-6.55% and a maturity period of 51 months, and the principal amount is repaid by installment; junior tranche with principal amount of RMB14 million and a maturity period of 51 months. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.

On 22 April 2016, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed securities with two tranches: senior tranche with principal amount of RMB1,140 million, coupon rate of 4.50% and a maturity period of 35 months; junior tranche with principal amount of RMB60 million and a maturity period of 35 months. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.

On 15 November 2016, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed securities with two tranches: senior tranche with principal amount of RMB1,425 million, coupon rate of 3.72% and a maturity period of 36 months; junior tranche with principal amount of RMB75 million and a maturity period of 36 months. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 50. BONDS PAYABLE (continued)

Notes: (continued)

(iv) (continued)

On 4 August 2017, Haitong Unitrust Finance & Leasing Corporation issued asset-backed securities with two tranches: senior tranche with principal amount of RMB1,568 million, coupon rate of 5.40% and a maturity period of 35 months; junior tranche with principal amount of RMB83 million and a maturity period of 35 months. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.

On 22 November 2017, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed notes with two tranches: senior tranche with principal amount of RMB1,360 million; junior tranche with principal amount of RMB70 million. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.

On 17 January 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed securities with two tranches: senior tranche with principal amount of RMB1,070 million, coupon rate of 5.90%, 6.09% and 6.20%; and a maturity period of 32 months; junior tranche with principal amount of RMB45 million and a maturity period of 50 months. Haitong Unitrust Finance & Leasing Corporation holds senior tranche asset-backed securities with amount of RMB270 million and all junior tranche asset-backed securities.

On 27 April 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed securities with two tranches: senior tranche with principal amount of RMB960 million, coupon rate of 5.10%, 5.40% and 6.10%; and a maturity period of 33 months; junior tranche with principal amount of RMB44 million and a maturity period of 33 months. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.

On 15 June 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed securities with two tranches: senior tranche with principal amount of RMB1,425 million, coupon rate of 5.49%, 4.70% and 5.84%, and a maturity period of 32 months; junior tranche with principal amount of RMB75 million and a maturity period of 32 months. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.

On 31 July 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed notes with two tranches: senior tranche with principal amount of RMB950 million; junior tranche with principal amount of RMB50 million. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 50. BONDS PAYABLE (continued)

Notes: (continued)

(iv) (continued)

On 21 August 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed securities with two tranches: senior tranche with principal amount of RMB980 million, coupon rate of 4.50%, 4.85% and 5.83%, and a maturity period of 30 months; junior tranche with principal amount of RMB70 million and a maturity period of 33 months. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.

On 20 September 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed securities with two tranches: senior tranche with principal amount of RMB950 million, coupon rate of 5.00%, and a maturity period of 14 months; junior tranche with principal amount of RMB50 million and a maturity period of 23 months. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.

On 23 November 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed securities with two tranches: senior tranche with principal amount of RMB1,370 million, coupon rate of 4.66%, 4.73% and 5.80%, and a maturity period of 31 months; junior tranche with principal amount of RMB75 million and a maturity period of 37 months. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.

On 26 December 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed notes with two tranches: senior tranche with principal amount of RMB950 million; junior tranche with principal amount of RMB50 million. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.

On 27 December 2018, the Group's wholly owned subsidiary Haitong Unitrust Finance & Leasing Corporation issued asset-backed securities with two tranches: senior tranche with principal amount of RMB950 million, coupon rate of 5.00%, and 5.50%, and a maturity period of 17 months; junior tranche with principal amount of RMB50 million and a maturity period of 36 months. Haitong Unitrust Finance & Leasing Corporation holds all junior tranche asset-backed securities.

(v) According to SAC's letter on approving the pilot of OTC income certificate business (SAC [2014]285), the Group was authorized to conduct income certificate business. The long-term income certificates issued by the company with maturities ranging from 13 months to 24 months. The coupon rate of the outstanding products were between 2.90% and 6.00% per annum. Those products which will be settled within one year from period end are classified as the current portion of bonds payable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 51. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	<b>2018/12/31</b>	2017/12/31
	<b>RMB'000</b>	RMB'000
Accounts payable to brokerage clients	<b>71,888,833</b>	83,774,388
Interest payable	<b>4,702</b>	–
	<b>71,893,535</b>	83,774,388

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

Accounts payable mainly include money held on behalf of clients at the banks and at the clearing houses by the Group.

As at 31 December 2018, included in the Group's accounts payable to brokerage clients were approximately RMB3,934,801,000 (31 December 2017: RMB5,383,646,000) cash collateral received from clients for securities lending and margin financing arrangement.

Accounts payable to brokerage clients is interest bearing at the prevailing interest rate.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 52. CUSTOMER ACCOUNTS

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Demand deposits – corporate	87,619	473,690
Time deposits – corporate	1,244,835	2,425,291
Demand deposits – individual	1,502	1,885
Time deposits – individual	776,283	849,755
Interest payable	50,087	–
	<b>2,160,326</b>	3,750,621
Analysed for reporting purpose as:		
Current liabilities	<b>2,160,326</b>	3,750,621
	<b>2,160,326</b>	3,750,621

### 53. CONTRACT LIABILITY

	2018/12/31 <i>RMB'000</i>
Asset and fund management services	3,770
Sales of bulk commodity	280,235
	<b>284,005</b>

According to Note 2.1.1, the advances received amount of RMB209,625,000 should be reclassified as contract liabilities on 1 January 2018, which is fully realized during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 54. OTHER PAYABLES AND ACCRUALS

	2018/12/31 RMB'000	2017/12/31 RMB'000
Payable to employees ( <i>Note i</i> )	4,588,200	4,890,342
Other tax payable	537,677	412,433
Dividends payable	47,052	19,198
Risk reserve	390,878	313,969
Client settlement payables	2,247,856	3,961,916
Pending payable to clearing house	326,484	746,067
Commission and fee payables	32,832	32,111
Finance lease guarantee deposits	2,043,319	1,118,493
Deferred revenue	–	80,067
Interest payables ( <i>Note ii</i> )	–	3,376,692
Amounts due to brokers	1,010,567	496,369
Notes payable	755,726	156,223
Others ( <i>Note iii</i> )	2,671,509	3,070,954
	<b>14,652,100</b>	<b>18,674,834</b>
Analysed for reporting purpose as:		
Current liabilities	13,455,014	17,457,987
Non-current liabilities ( <i>Note i</i> )	1,197,086	1,216,847
	<b>14,652,100</b>	<b>18,674,834</b>

*Notes:*

- (i) The Group set up a detailed plan for the payment of employees' bonuses accrued. According to the plan, a balance of RMB320,319,000 is expected to be settled after 31 December 2018 and therefore classified as non-current liabilities.
- (ii) As at 31 December 2018, the interests accrued on financial liabilities of the Group are included in the carry amounts of the corresponding financial liabilities.
- (iii) Others mainly represent received in advance of the Group which are non-interest bearing and are settled within one year.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 55. PROVISIONS

	2018/12/31 RMB'000	2017/12/31 RMB'000
Contingencies (Note i)	130,763	167,343
ECL impairment for loan commitments	14,344	–
	<b>145,107</b>	167,343

Note:

- (i) These provisions are intended to cover certain contingencies related to the Group's activities, including contingencies related to ongoing tax processes, ongoing litigation related to legal dispute with staff.

### 56. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018/12/31 RMB'000	2017/12/31 RMB'000
Financial liabilities held for trading	4,804,747	7,739,121
Liabilities arising from consolidation of structured entities	3,585,089	1,342,318
Designated as financial liabilities at fair value through profit or loss (FVTPL)		
– Structured products (Note i)	12,350,482	10,260,931
– Gold lending (Note ii)	–	327,600
– Gold option (Note iii)	5,460,636	1,073,529
	<b>26,200,954</b>	20,743,499
Analysed for reporting purpose as:		
Current liabilities	23,862,827	20,031,099
Non-current liabilities	2,338,127	712,400
	<b>26,200,954</b>	20,743,499

Notes:

- (i) As at 31 December 2018 and 31 December 2017, included in the Group's financial liabilities designated at fair value through profit or loss are structured notes issued by subsidiaries of the Group which arise from selling structured products generally in the form of notes or certificates with the underlying investments related to listed equity investments in active markets, unlisted debt instruments, unlisted investment, fund and unlisted equity or partnership investments.

The risk of economic exposure on these structured products is primarily hedged using financial assets as fair value through profit or loss as detailed in Note 31(ii). These structured products are designated as fair value through profit or loss as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 56. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

- (ii) As at 31 December 2018, included in the Group's financial liabilities designated at fair value through profit or loss are gold lending contracts with counterparties.

The risk of economic exposure on these contracts is primarily hedged using forward contracts.

- (iii) The Group entered into a number of option contracts in relation to fair value of gold bullions. These contracts as a combinations intend to enable the Group to pay a fixed flow despite the volatilities of fair value of gold bullions. These contracts were designated at fair value through profit or loss.

### 57. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2018/12/31 RMB'000	2017/12/31 RMB'000
Analysed by collateral type:		
Stock	1,866,306	1,504,889
Bonds	51,973,509	17,264,988
Loans and advances to customers on margin financing	500,000	9,900,000
Other	1,920,355	4,375,850
Interest payable	112,733	–
	<b>56,372,903</b>	<b>33,045,727</b>
Analysed by market:		
Stock exchanges	7,288,481	3,732,338
Inter-bank market	44,685,028	13,532,650
OTC	4,286,661	15,780,739
Interest payable	112,733	–
	<b>56,372,903</b>	<b>33,045,727</b>
Analysed for reporting purpose as:		
Current liabilities	56,372,903	32,645,727
Non-current liabilities	–	400,000
	<b>56,372,903</b>	<b>33,045,727</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 57. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (continued)

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as “collateral” for the liabilities because the Group retains substantially all the risks and rewards of these securities. In addition, it recognises a financial liability.

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets of the Group that are not derecognised in their entirety and the associated liabilities:

#### As at 31 December 2018

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Debt instruments at fair value through comprehensive income <i>RMB'000</i>	Advances to customers on margin financing <i>RMB'000</i>	Financial assets held under resale agreements <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount of transferred assets	49,794,272	2,837,179	536,109	768,726	10,792,131	64,728,417
Carrying amount of associated liabilities	42,647,263	2,717,641	500,636	669,589	9,837,774	56,372,903
Net position	7,147,009	119,538	35,473	99,137	954,357	8,355,514

#### As at 31 December 2017

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Available-for-sale investments <i>RMB'000</i>	Advances to customers on margin financing <i>RMB'000</i>	Financial assets held under resale agreements <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount of transferred assets	21,981,730	2,446,013	10,414,800	782,529	7,975,151	43,600,223
Carrying amount of associated liabilities	14,719,892	1,693,275	9,900,000	760,161	5,972,399	33,045,727
Net position	7,261,838	752,738	514,800	22,368	2,002,752	10,554,496



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 58. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2018/12/31 RMB'000	2017/12/31 RMB'000
Placements from banks	13,721,519	6,811,639
Placements from China Securities Finance Corporation Ltd.	1,000,000	5,000,000
Interest Payable	2,577	–
	<b>14,724,096</b>	11,811,639
Analysed for reporting purpose as:		
Current liabilities	8,482,577	5,450,000
Non-current liabilities	6,241,519	6,361,639
	<b>14,724,096</b>	11,811,639

### 59. DEPOSITS FROM OTHER BANKS

	2018/12/31 RMB'000	2017/12/31 RMB'000
Deposits from other banks	19,950	293,733

### 60. SHARE CAPITAL

	Listed A shares		Listed H shares		Total	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share: At 31 December 2017, At 1 January 2018, and At 31 December 2018	8,092,131	8,092,131	3,409,569	3,409,569	11,501,700	11,501,700



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 61. FVTOCI RESERVE

	<b>2018/12/31</b> <b>RMB'000</b>
As at 31 December 2017	<b>2,071,805</b>
Effect arising from adoption of IFRS 9	<b>(712,043)</b>
As at 1 January 2018.	<b>1,359,762</b>
Debt instrument measured at fair value through other comprehensive income	<b>21,921</b>
Equity instrument measured at fair value through other comprehensive income	
Net fair value changes during the period	<b>(2,039,573)</b>
Income tax impact	<b>509,893</b>
Share of revaluation loss of associates and joint ventures	<b>(231,985)</b>
Actuarial gains on defined benefit obligations	<b>(20,166)</b>
As at 31 December 2018	<b>(400,148)</b>

## 62. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

### (a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

### (b) FVTOCI reserve

FVTOCI reserve represents the debt instruments measured at fair value through other comprehensive income and equity instruments measured at fair value through other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 62. RESERVES AND RETAINED PROFITS (continued)

#### (c) General reserves

The general reserves comprise statutory reserve, general risk reserve and transaction risk reserve.

Pursuant to the Company Law of The PRC, 10% of the net profit of the Company, as determined under the PRC accounting regulations and before distribution to shareholders, is required to be transferred to a statutory reserve until such time when this reserve represents 50% of the share capital of the Company. The reserve appropriated can be used for loss-covering, expansion of production scale and capitalisation, in accordance with the Company's articles of association or approved by the shareholders in a shareholders' general meeting.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as general risk reserve from retained profits.

Pursuant to the Securities Law of The PRC, the Company is required to appropriate 10% of the net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as transaction risk reserve from retained profits and cannot be distributed or transferred to share capital.

For the years ended 31 December 2018, the Company transferred approximately RMB1,670,379,000 to the statutory reserve, general risk reserve and transaction risk reserve pursuant to the above regulatory requirements in the PRC (31 December 2017: RMB1,856,269,000).

Each of the Company's statutory reserve, general risk reserve and transaction risk reserve amounted to approximately RMB6,261,218,000 as at 31 December 2018 (31 December 2017: RMB5,703,913,000).

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to general reserves. The total amount of general reserves appropriated from the subsidiaries as at 31 December 2018 is RMB1,035,689,000 (31 December 2017: RMB859,985,000).

#### (d) Distributable profits

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained profits determined in accordance with PRC GAAP and (ii) the retained profits determined in accordance with IFRSs.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 63. LONG-TERM PAYABLES

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Finance lease guarantee deposits	5,667,627	3,779,786
Deferred revenue	497,799	383,359
Others	499,509	650,554
	<b>6,664,935</b>	4,813,699

Long-term payables are mainly due to the guaranteed fund received by the Group through finance lease business. All amounts will expire beyond one year upon contract agreement and are classified as non-current liabilities.

### 64. CREDIT COMMITMENT

As at 31 December 2018 and 2017, this balance can be analysed as follows:

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Contingent liabilities		
Guarantees and standby letters of credit	1,172,904	1,360,846
	<b>1,172,904</b>	1,360,846
Commitments		
Irrevocable credit commitments	129,183	108,756
	<b>129,183</b>	108,756

Guarantees and standby letters of credits are banking operations that may imply out-flow by the Group only at default condition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 64. CREDIT COMMITMENT (continued)

Irrevocable commitments represent contractual agreements to extend credit to the Haitong Bank's customers (e.g. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these guarantees and commitments, the analysis of these operations follows the same basic principles of any other commercial operation, namely the solvency of the underlying client and business, being that the Haitong Bank requires these operations to be adequately covered by collaterals when needed.

Once as expected, the majority of these will expire without being used, the referred amounts are not representative of the future cash-flows needs.

### 65. OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

Leases for the properties are negotiated for an average term of three years and rentals are fixed for an average term of three years.

At 31 December 2018 and 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented premises falling due as follows:

	<b>2018/12/31</b> <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Within one year	<b>454,084</b>	341,560
In the second to fifth year, inclusive	<b>519,321</b>	452,982
Over five years	<b>34,755</b>	31,703
	<b>1,008,160</b>	826,245



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 65. OPERATING LEASE ARRANGEMENTS (continued)

#### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Within one year	430,199	165,688
In the second to fifth year, inclusive	1,626,758	592,912
Over five years	1,073,703	344,599
	<b>3,130,660</b>	1,103,199

### 66. CAPITAL COMMITMENT

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided	2,045,388	90,390
	<b>2,045,388</b>	90,390

### 67. DIVIDENDS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Dividends recognised as distribution	2,645,391	2,530,374

Pursuant to the resolution of annual general meeting 2018 and 2017, the Company declared 2017 and 2016 final dividend of RMB0.23 (taxes inclusive) and RMB0.22 (taxes inclusive) per share respectively, satisfied by cash. The proposed dividend of 2018, is detailed in Note 77.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 68. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors, Senior Management and Supervisors of the Company paid/payable by the Group for the year ended 31 December 2018 and 2017 are set out below:

#### For the year ended 31 December 2018

Name	Director	Salary and	Bonuses <sup>(a)</sup>	Employer's	Total <sup>(b)</sup>
	fee	commission		contribution	
	RMB'000	RMB'000	RMB'000	to pension	RMB'000
				schemes	
				annuity	
				plans	
<i>Executive Directors:</i>					
Zhou Jie <sup>1</sup>	–	456	825	–	1,281
Qu Qiuping <sup>2</sup>	–	920	791	–	1,711
<i>Independent Non-executive Directors and Supervisors:</i>					
Liu Zhimin <sup>3</sup>	300	–	–	–	300
Xiao Suining <sup>4</sup>	310	–	–	–	310
Feng Lun <sup>5</sup>	200	–	–	–	200
Zhang Ming <sup>6</sup>	300	–	–	–	300
Lin Jiali <sup>10</sup>	220	–	–	–	220
Wu Hongwei <sup>11</sup>	–	411	374	–	785
Wang Meijuan <sup>8</sup>	–	986	1,656	–	2,642
Hu Hairong <sup>9</sup>	–	973	1,656	–	2,629
Song Shihao <sup>7</sup>	–	861	1,205	–	2,066
Rui Zhengxian <sup>12</sup>	–	576	1,104	–	1,680
Yu Liping <sup>13</sup>	–	–	–	–	–
Chen Bin <sup>15</sup>	–	–	–	–	–
Xu Jianguo <sup>17</sup>	–	–	–	–	–
Shen Tiedong <sup>14</sup>	–	–	–	–	–
Zhang Xinmei <sup>16</sup>	–	–	–	–	–
Li Lin <sup>18</sup>	–	–	–	–	–
Zheng Xiaoyun <sup>19</sup>	–	–	–	–	–
Cheng Feng <sup>20</sup>	–	–	–	–	–
Chen Huifeng <sup>21</sup>	–	–	–	–	–
Feng Huang <sup>22</sup>	–	–	–	–	–
Song Chunfeng <sup>23</sup>	–	–	–	–	–
Wu Yuezhou <sup>24</sup>	–	–	–	–	–
	<b>1,330</b>	<b>5,183</b>	<b>7,611</b>	<b>–</b>	<b>14,124</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 68. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

For the year ended 31 December 2017

Name	Director fee RMB'000	Salary and commission RMB'000	Bonuses* RMB'000	Employer's contribution to pension schemes annuity plans RMB'000	Total <sup>^</sup> RMB'000
<i>Executive Directors:</i>					
Zhou Jie <sup>1</sup>	–	368	345	220	933
Qu Qiuping <sup>2</sup>	–	920	506	220	1,646
<i>Independent Non-executive Directors and Supervisors:</i>					
Liu Zhimin <sup>3</sup>	300	–	–	–	300
Xiao Suining <sup>4</sup>	310	–	–	–	310
Feng Lun <sup>5</sup>	210	–	–	–	210
Zhang Ming <sup>6</sup>	280	–	–	–	280
Lin Jiali <sup>10</sup>	60	–	–	–	60
Wang Hongxiang <sup>25</sup>	136	–	–	–	136
Li Guangrong <sup>26</sup>	150	–	–	–	150
Wu Hongwei <sup>11</sup>	–	55	42	33	130
Wang Meijuan <sup>8</sup>	–	951	1,841	352	3,144
Hu Hairong <sup>9</sup>	–	940	1,841	352	3,133
Song Shihao <sup>7</sup>	–	822	1,249	352	2,423
Rui Zhengxian <sup>12</sup>	–	36	66	29	131
Yang Qingzhong <sup>27</sup>	–	331	704	194	1,229
Qiu Xiaping <sup>28</sup>	–	–	–	–	–
Yu Liping <sup>13</sup>	–	–	–	–	–
Chen Bin <sup>15</sup>	–	–	–	–	–
Xu Jianguo <sup>17</sup>	–	–	–	–	–
Shen Tiedong <sup>14</sup>	–	–	–	–	–
Zhang Xinmei <sup>16</sup>	–	–	–	–	–
Shou Weiguang <sup>29</sup>	–	–	–	–	–
Li Lin <sup>18</sup>	–	–	–	–	–
Zheng Xiaoyun <sup>19</sup>	–	–	–	–	–
Cheng Feng <sup>20</sup>	–	–	–	–	–
Chen Huifeng <sup>21</sup>	–	–	–	–	–
Feng Huang <sup>22</sup>	–	–	–	–	–
Song Chunfeng <sup>23</sup>	–	–	–	–	–
Wu Yuezhou <sup>24</sup>	–	–	–	–	–
	1,446	4,423	6,594	1,752	14,215



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 68. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

- (a) The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance.
  - (b) The Company did not operate any share option scheme during the reporting periods. Details of the subsidiary's share option scheme are disclosed in note 70.
- 1 Mr. Zhou Jie was appointed as Chairman, and Executive Director in October 2016.
  - 2 Mr. Qu Qiuping was appointed as the General Manager and Executive Director of the Company in June 2014. Mr. Qu Qiuping whose emoluments disclosed above include those for service rendered by them as the Executive Officer.
  - 3 Mr. Liu Zhimin was appointed as the Independent Non-executive Director of the Company in November, 2011.,
  - 4 Mr. Xiao Suining was appointed as the Independent Non-executive Director of the Company in May, 2013.
  - 5 Mr. Feng Lun was appointed as the Independent Non-executive Director of the Company in December, 2014.
  - 6 Mr. Zhang Ming was appointed as the Independent Non-executive Director of the Company in June,2016.
  - 7 Mr. Song Shihao was appointed as the Supervisor of the Company in July, 2015.
  - 8 Mrs. Wang Meijuan was appointed as the Supervisor of the Company in December, 2014.
  - 9 Mrs. Hu hairong was appointed as the Supervisor of the Company in December, 2014.
  - 10 Mr. Lin Jiali was appointed as the Independent Director of the Company in April, 2017.
  - 11 Mr. Wu Hongwei was appointed as the Vice Chairman of the Supervisory Board, Secretary of the Commission for Inspecting Discipline and Deputy Party Secretary of the Company in December, 2017.
  - 12 Mr. Rui Zhengxian was appointed as the Supervisor of the Company in December, 2017.
  - 13 Mrs. Yu Liping was appointed as the Non-executive Director of the Company in June, 2015.
  - 14 Mr. Shen Tiedong was appointed as the Non-executive Director of the Company in June, 2015.
  - 15 Mr. Chen Bin was appointed as the Non-executive Director of the Company in June, 2015.
  - 16 Mrs. Zhang Xinmei was appointed as the Non-executive Director of the Company in June, 2015.
  - 17 Mr. Xu Jianguo was appointed as the Non-executive Director of the Company in October, 2016.
  - 18 Mr. Li Lin was appointed as the Supervisor of the Company in May, 2013.
  - 19 Mrs. Zheng Xiaoyun was appointed as the Supervisor of the Company in September, 2015.
  - 20 Mr. Cheng Feng was appointed as the Supervisor of the Company in December, 2014.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 68. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

- 21 Mr. Chen Huifeng was appointed as the Supervisor of the Company in December, 2014.
- 22 Mr. Feng Huang was appointed as the Supervisor of the Company in December, 2014.
- 23 Mr. Song Chunfeng was appointed as the Supervisor of the Company in July, 2016.
- 24 Mr. Wu Yuezhou was appointed as the Non-executive Director of the Company in August, 2017.
- 25 Mr. Wang Hongxiang was appointed as the Non-executive Director of the Company in May, 2011, Mr. Wang Hongxiang resigned from the position of Non-executive Director of the Company in May, 2017.
- 26 Mr. Li Guangrong was appointed as the Independent Non-executive Director of the Company in December, 2014,. Mr. Li Guangrong resigned from the position of Independent Non-executive Director of the Company in April, 2017.
- 27 Mr. Yang Qingzhong was appointed as the Vice Chairman of the Supervisory Board, Secretary of the Commission for Inspecting Discipline and Deputy Party Secretary of the Company in December, 2014. Mr. Yang Qingzhong resigned from the position of Vice Chairman of the Supervisory Board, Secretary of the Commission for Inspecting Discipline and Deputy Party Secretary of the Company in December, 2017.
- 28 Mrs. Qiu Xiaping was appointed as the Supervisor of the Company in July, 2007, Mrs. Qiu Xiaping resigned from the position of Supervisor of the Company in December, 2017.
- 29 Mr. Shou Weiguang was appointed as Chairman of the Supervisory Board of the Company in July, 2015. Mr. Shou Weiguang resigned from the position of Chairman of the Supervisory Board and Supervisor of the Company in April, 2017.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The supervisors' emoluments shown above were for their services as supervisors of the Company.

For the year ended 31 December 2018 and 2017, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for redundancy.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 69. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors, supervisors or senior management. Details of the remuneration of the five highest paid employees during the year ended 2018 and 2017 are as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Salary and commission	<b>12,999</b>	4,522
Bonuses	<b>55,147</b>	61,720
Employer's contribution to pension schemes/annuity plans	<b>456</b>	1,760
	<b>68,602</b>	68,002

Bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2018 and 2017.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	<b>2018</b> <b>Population</b>	2017 Population
Emolument bands		
– RMB11,000,001 to RMB13,000,000	<b>2</b>	1
– RMB13,000,001 to RMB15,000,000	<b>1</b>	2
– RMB15,000,001 to RMB17,000,000	<b>2</b>	1
– RMB17,000,001 to RMB19,000,000	<b>–</b>	1
	<b>5</b>	5



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 70. SHARE OPTION/AWARD OF SUBSIDIARIES

### 2002 Share option scheme of HISGL

On 23 August 2002, the shareholders of HISGL approved the adoption of a share option scheme (the "2002 Share Option Scheme"), which was expired on 22 August 2012. A summary of the principal terms of the 2002 Share Option Scheme, as disclosed in accordance with the listing rules, is set out as follows:

The 2002 Share Option Scheme was adopted for the purpose of attracting, retaining and motivating talented employees to strive towards long-term performance targets set by HISGL and its subsidiaries and at the same time allowing the participants to enjoy the results of HISGL attained through their effort and contribution. Under the 2002 Share Option Scheme, options may be granted to any full time employees, executive and non-executive directors of HISGL or any of its subsidiaries or associates.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") but HISGL may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of HISGL under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not exceed 10% of the issued share capital of HISGL as at the date of approval by the shareholders of HISGL at general meetings where such limit is refreshed.

If refreshed, options previously granted under the 2002 Share Option Scheme and any other share option schemes of HISGL (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% limit.

Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes of HISGL shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2002 Share Option Scheme and any other share option schemes of HISGL (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of HISGL's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of HISGL at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors of HISGL or with an aggregate value (based on the closing price of HISGL's shares at the date on which such grant is proposed by the directors of HISGL) in excess of HKD5 million, within any twelve-month period, are subject to shareholders' approval in advance at a general meeting of HISGL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 70. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

#### 2002 Share option scheme of HISGL (continued)

The offer of a grant of share options may be accepted within 30 days from the date of the offer upon payment of a consideration of HKD1 by the grantee. The exercise period of the share options granted is determinable by the directors of HISGL, and such period shall commence not earlier than six months from the date of grant of the options and expire not later than ten years after the date of grant of the options. All share options under the 2002 Share Option Scheme are subject to a six-month vesting period.

The exercise price of the share options is determinable by the directors of HISGL, and shall be at least the highest of (i) the closing price of HISGL's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The 2002 Share Option Scheme expired on 22 August 2012. However, the share options granted under the 2002 Share Option Scheme prior to its expiry are still exercisable pursuant to the terms of this scheme.

The following table discloses movements of share options granted to the directors and employees of HISGL under HISGL's 2002 Share Option Scheme during the year:

	2018		2017	
	Weighted average exercise price <i>HKD per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HKD per share</i>	Number of options <i>'000</i>
At beginning of the year	2.76	5,812	2.77	9,132
Adjusted during the year <sup>1</sup>	2.76	17	2.76	8
Exercised during the year	2.76	(3,246)	2.77	(3,328)
At end of the year	2.76	2,583	2.76	5,812



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 70. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2002 Share option scheme of HISGL (continued)

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

Number of options '000	Exercise price <sup>1</sup> HKD per share	Exercise period
<b>31 December 2018</b>		
<u>2,583</u>	2.751	3 March 2011 to 2 March 2019
31 December 2017		
<u>5,812</u>	2.764	3 March 2011 to 2 March 2019

<sup>1</sup> The exercise price of the share option is subject to adjustment in case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in HISGL's share capital.

No new share options were granted for the years ended 31 December 2018 and 31 December 2017.

As at 31 December 2018, HISGL had 2,582,759 (2017: 5,812,110) share options outstanding under the 2002 Share Option Scheme, which represented approximately 0.04% (2017: 0.11%) of HISGL's shares in issue as at that date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 70. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

#### 2015 Share option scheme of HISGL

The shareholders of HISGL approved the adoption of a new share option scheme (the “2015 Share Option Scheme”) on 8 June 2015 (the “Adoption Date”). The 2015 Share Option Scheme was also approved by the shareholders of Haitong Securities Co., Ltd., the holding company of HTIH, the controlling shareholder of HISGL, and Listing Committee of The Stock Exchange of Hong Kong Limited on 8 June 2015 respectively and 12 June 2015 respectively. A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2015 Share Option Scheme was adopted to attract, retain and motivate talented employees to strive towards long term performance targets set by HISGL and to provide them with an incentive to work better for the interest of HISGL after the expiry of its existing 2002 Share Option Scheme on 22 August 2012. Under the 2015 Share Option Scheme, share options could be granted to any full time or part-times employees, executive and non-executive (whether independent or not) directors of the HISGL who in the absolute opinion of the Board, have contributed to HISGL.

The maximum number of shares of HISGL (the “Shares”) which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes shall not in aggregate exceed 212,924,439 shares, representing approximately 10% of the issued shares of HISGL as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of the HISGL.

In respect of the period of 12 months from the Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Adoption Date (each of those 12-months periods is hereinafter referred to as a “Scheme Year”), the total number of shares of HISGL which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the “Annual Limit”). HISGL may from time to time seek approval of its shareholders and the approval of the shareholders of Haitong Securities Co., Ltd. (“HSCL”) (so long as the HISGL is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Scheme Limit and/or the Annual Limit such that the total number of shares of HISGL in respect of which options may be granted by directors of HISGL under the 2015 Share Option Scheme (i) in respect of the Scheme Limit, shall not exceed 10% of the issued share capital of HISGL as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of the HISGL as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of HISGL (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of HISGL shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 70. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### 2015 Share option scheme of HISGL (continued)

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2015 Share Option Scheme and any other share option schemes of HISGL (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of HISGL's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of HISGL at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of HISGL's shares at the date on which such grant is proposed by the directors) in excess of HKD5 million, within any twelve-month period, are subject to shareholders' approval in advance at a general meeting of HISGL.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HKD1 by the grantee. The exercise period of the share options granted is determinable by the directors of HISGL and notified by the directors HISGL to each participant as being the period during which an option may be exercised, and in any event such period of time shall not exceed a period of 5 years commencing on the Offer Date and expire on the last day of such period. The 2015 Share Option Scheme does not stipulate any performance target which needs to be achieved by the participant who accepts the offer of share options (the "Grantee") before the share options can be exercised. In order to sustain a long-term employment relationship between HISGL and the grantee(s), grantees must hold their share options for a holding period of not less than 6 months from the date of acceptance of the offer by the Grantee, before the share options can be exercised.

The exercise price of the share options is determinable by the directors, and shall be at least the highest of (i) the price equal to 110% of the closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares.

On 10 November 2017, HISGL granted 13,400,000 share options at the exercise price of HKD5.038 per share to its directors and employees under the 2015 Share Option Scheme with a total of 13,350,000 share options being accepted. The option period of the share options is from 10 November 2017 to 9 November 2022. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of the HISGL's shares on the date of grant was HKD4.58 per share. The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 10 November 2017 is approximately HKD17.5 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 70. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

#### 2015 Share option scheme of HISGL (continued)

	2017
Closing price	HKD4.58
Initial exercise price	HKD5.038
Expected volatility	49.493%
Expected option life	5 years
Risk-free rate	1.42%
Expected dividend yield	3.849%
Early exercise multiples – directors of HISGL	2.34
– employees	2.07

Expected volatility was determined using the historical volatility of the HISGL's share price over the previous 5 years at the grant date.

On 1 November 2018, HISGL granted 19,160,000 share options at the exercise price of HKD2.904 per share to its directors and employees under the 2015 Share Option Scheme with a total of 19,160,000 share options being accepted. The option period of the share options is from 1 November 2018 to 31 October 2023. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of the Company's shares on the date of grant was HKD2.64 per share. The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 1 November 2018 is approximately HKD11.7 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2018
Weighted average share price at the date of grant	<b>HKD2.64</b>
Initial exercise price	<b>HKD2.904</b>
Expected volatility	<b>48.504%</b>
Expected option life	<b>5 years</b>
Risk-free rate	<b>2.304%</b>
Expected dividend yield	<b>7.63%</b>
Early exercise multiples – directors of HISGL	<b>1.74</b>
– employees	<b>1.98</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 70. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

#### 2015 Share option scheme of HISGL (continued)

Expected volatility was determined using the historical volatility of the Company's share price over the previous 5 years at the grant date.

For the year ended 31 December 2018, HISGL has recognised an equity-settled share-based payment of HKD16,492,000 (31 December 2017: HKD2,910,000) for the share options under the 2015 Share Option Scheme in the consolidated statement of profit or loss. No share options under 2015 share option scheme has been exercised during the current year end.

The following table discloses movements of 2015 share options granted to the directors and employees of HISGL.

	2018		2017	
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000
At beginning of the year	4.674	29,228	4.674	17,807
Granted and accepted during the year	2.904	19,160	5.038	13,350
Adjusted during the year (note)	4.82	133	4.668	22
Exercised during the year	4.667	(501)	–	–
Forfeited during the year	4.861	(1,303)	4.673	(1,951)
At end of the year	4.031	46,717	4.836	29,228

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 70. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

#### 2015 Share option scheme of HISGL (continued)

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

<b>31 December 2018</b>	<b>Exercise price</b>	<b>Exercise period</b>
<b>Number of options</b>	<b>HKD per share</b>	
<i>'000</i>	<i>(note)</i>	
<b>14,847</b>	4.645	8 December 2016 – 11 May 2021
<b>12,710</b>	5.014	7 June 2018 – 9 November 2022
<b>19,160</b>	2.904	28 May 2019 – 31 October 2023
<b>46,717</b>		
<b>31 December 2017</b>	<b>Exercise price</b>	<b>Exercise period</b>
<b>Number of options</b>	<b>HKD per share</b>	
<i>'000</i>	<i>(note)</i>	
15,878	4.667	8 December 2016 – 11 May 2021
13,350	5.038	7 June 2018 – 9 November 2022
<b>29,228</b>		

*Note:* The exercise price of the share options are subject to adjustment in the case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in the Company's share capital.

As at 31 December 2018, HISGL had 46,717,444 (2017: 29,228,100) share options outstanding under the 2015 Share Option Scheme, which represented approximately 0.81% (2017: 0.53%) of the HISGL's shares in issue as at that date.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 70. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

### Share award scheme of HISGL

On 19 December 2014, the Board of directors of HISGL (the "HISGL Board") adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees and directors ("Selected Participants") for their contributions to HISGL and to attract suitable personnel for further development of HISGL.

Pursuant to the Scheme, the ordinary shares of HKD0.1 each in the capital of HISGL will be acquired by the trustee at the cost of HISGL and will be held in trust for the Selected Participants before vesting. The total number of Shares granted under the Scheme shall be limited to 10% of the total issued share capital of HISGL as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the HISGL Board from time to time.

No award of the Shares shall be granted to any single Selected Participant which would result in the maximum number of awarded Shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of HISGL as at the Adoption Date.

The HISGL Board has delegated the power and authority to the Administration Committee of HISGL to handle operational matters of the Scheme but all major decisions in relation to the Scheme shall be made by the HISGL Board unless expressly provided for in the scheme rules pursuant to the Scheme or the HISGL Board resolves to delegate such power to the Administration Committee.

Pursuant to the scheme rules, HISGL Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant determined by HISGL Board and recommended by the Remuneration Committee from time to time) select any participant for participation in the Scheme as a Selected Participant and determine the number of awarded shares, upon the recommendation of the Remuneration Committee.

After the selection of the Selected Participant(s) and the determination of the number of awarded Shares by HISGL Board, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through HISGL within the period prescribed in the award notice(s), HISGL shall during the award period pay or cause to be paid to the trustee for purchasing the awarded Shares ("Reference Amount").

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded Shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and HISGL would recognise as treasury shares in the statement of changes in equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 70. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

#### Share award scheme of HISGL (continued)

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded Shares will be vested if the Selected Participant is able to meet the relevant performance conditions during the relevant period, or lapse if the Selected Participant is unable to meet the relevant performance conditions during the relevant period.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any Awarded Shares held under the trust.

Details of the awarded shares granted and unvested as at 31 December 2018 are set out below.

Date of awarded shares granted	Number of awarded shares granted	Number of awarded shares vested	Number of awarded shares forfeited (Note (d))	Number of awarded shares unvested	Vesting dates	Fair value as at grant date HKD
18 April 2016	7,865,506	4,709,854	992,489	2,163,163	Note (a)	31,383,000
28 April 2017	4,246,234	1,318,237	378,532	2,549,465	Note (b)	19,320,000
11 May 2018	<b>7,010,493</b>	–	<b>171,613</b>	<b>6,838,880</b>	Note (c)	<b>32,108,000</b>

For the shares granted, the fair value of the shares were measured at the market price of the Company's shares. For the year ended 31 December 2018, the Group has recognised an equity-settled share-based payment of HK\$20,049,000 (31 December 2017: HK\$18,395,000) for the Scheme in consolidated statement of profit or loss.

Notes:

- Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 18 April 2016 is on 15 March 2017 while the vesting date of another one-third of award shares granted on 18 April 2016 would be on 15 March 2018 and the vesting date for the remaining would be on 15 March 2019.
- Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 28 April 2017 is on 19 March 2018 while the vesting date of another one-third of award shares granted on 28 April 2017 would be on 19 March 2019 and the vesting date for the remaining would be on 19 March 2020.
- Pursuant to the agreed terms, the vesting date of one-third of the awarded shares granted on 11 May 2018 would be on 13 May 2019 while the vesting date of another one-third of awarded shares granted on 11 May 2018 would be on 13 May 2020 and the vesting date for the remaining would be on 13 May 2021.
- Awarded shares were lapsed prior to their vesting dates as a result of staff separations. Pursuant to the agreement, the lapsed shares would be held by the trustee which is subject to the approval from Administration Committee for re-selection of any Selected Participant. The lapsed Awarded Shares were transferred out from share award reserve to share premium as disclosed in the consolidated statement of change in equity.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 70. SHARE OPTION/AWARD OF SUBSIDIARIES (continued)

#### Share award scheme of HISGL (continued)

Movements of shares held under the Scheme during the year are as follows:

	2018		2017	
	HKD'000	Number of shares	HKD'000	Number of shares
At 1 January	113,539	19,266,739	128,020	21,724,000
Purchased during the year	62,462	17,675,000	–	–
Vested and transferred out during the year	(20,629)	(3,570,830)	(14,481)	(2,457,261)
At 31 December	155,372	33,370,909	113,539	19,266,739

### 71. RELATED PARTY TRANSACTIONS

In addition to the joints and associates of the Group set out in note 24 above, the name and the relationship of other related parties are set out as below:

Name of the related party	Relationship of the related party
BNP Paribas Investment Partners BE Holding SA	Note A
BNP Paribas (China) Limited	Note B
BNP Paribas Investment Partners Japan Ltd	Note B
BNP Paribas Investment Partners Singapore Ltd	Note B
BNP Paribas Wealth Management Bank	Note B
BNP Paribas Investment Partners Switzerland Ltd	Note B
BNP Paribas SA	Note B
BNP Paribas Investment Partners Hong Kong Ltd	Note B
Shinhan BNP Paribas Asset Management (Hong Kong) Co., Ltd	Note B
BNP Paribas Investment Ltd (Asia)	Note B
Shanghai Shengyuan Real-Estate (Group) Co., Ltd	Note B
China-Belgium Direct Equity Investment Fund	A fund managed by the subsidiary

Note A: The company holds more than 10% of the shares of the Group's subsidiaries-HFT Investment Management Co., Ltd.T and Haitong-Fortis Private Equity Fund Management Co., Ltd.

Note B: The subsidiary of the company which holds more than 10% of the shares of the Group's subsidiary.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 71. RELATED PARTY TRANSACTIONS (continued)

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Commission and fee income:		
– Shanghai Equity Investment Fund Limited Partnership	<b>65,301</b>	60,725
– Xi'an Aerospace and New Energy Industry Fund	<b>18,910</b>	18,887
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	<b>19,919</b>	19,878
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	<b>19,987</b>	31,929
– Fullgoal Fund Management Co. Ltd.	<b>33,890</b>	23,814
– Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	<b>5,354</b>	5,550
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	<b>18,876</b>	18,890
– China-Belgium Direct Equity Investment Fund	<b>52,995</b>	108,229
– Haitong (Jilin) Cultural Industries Investment Fund (Limited Partnership)	<b>2,264</b>	2,129
– Guang Dong Southern Media Integration Development Investment Fund (Limited Partnership)	<b>24,993</b>	8,306
– Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership	<b>12,733</b>	22,230
– Xi'an Civil-military integration Electronic satellite Limited	<b>4,028</b>	–
– Entities related to BNP Paribas ( <i>Note A</i> )	<b>3,559</b>	10,415

*Note A:* Entities related to BNP Paribas include BNP Paribas Investment Partners BE Holding SA, BNP Paribas (China) Limited, BNP Paribas Investment Partners Japan Ltd, BNP Paribas Investment Partners Singapore Ltd, BNP Paribas Wealth Management Bank, BNP Paribas Investment Partners Switzerland Ltd, BNP Paribas SA, BNP Paribas Investment Partners Hong Kong Ltd, Shinhan BNP Paribas Asset Management (Hong Kong) Co., Ltd. and BNP Paribas Investment Ltd (Asia).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 71. RELATED PARTY TRANSACTIONS (continued)

	<b>2018</b>	2017
	<b>RMB'000</b>	RMB'000
Administration expense:		
– Shanghai Shengyuan Real Estate (Group) Co., Ltd.	<b>(88)</b>	(97)
– Entities related to BNP Paribas	<b>(203)</b>	(122)
Interest Expense		
– Entities related to BNP Paribas	<b>(620)</b>	–
Investment Gain		
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	–	12,186
Interest Income		
– Gui'an UniTrust Finance Leasing Co., Ltd	<b>28,863</b>	–
– Others (Note B)	<b>685</b>	–
Bonds transaction:		
– BNP Paribas (China) Ltd.	<b>200,000</b>	310,000
Interest rate swap:		
– BNP Paribas (China) Limited	<b>520,000</b>	340,000
Financial instruments held under resale agreement		
– BNP Paribas (China) Ltd.	<b>300,000</b>	190,120

*Note B* Including the related transactions with Shanghai Shengyuan Real Estate (Group) Co., Ltd, Shanghai Cultural Industries Investment Fund (Limited Partnership), Shanghai Equity Investment Fund Limited Partnership, Jilin Modern Agricultural and Emerging Markets Investment Fund Limited, Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership, Liaoning energy investment(Group) Co. Ltd, China-Belgium Direct Equity Investment Fund, Jilin Modern Agricultural and Emerging Markets Investment Fund Limited, Fullgoal Fund Management Co. Ltd., Xi'an Civil-Military Integration Satellite management services Investment Fund Co., Ltd, Haitong Xingtai (Anhui) emerging industry investment fund Co., Ltd, Guang Dong Southern Media Integration Development Investment Fund (Limited Partnership), Shanghai Tongguan investment management Co., Ltd and Xi'an Aerospace and New Energy Industry Fund.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 71. RELATED PARTY TRANSACTIONS (continued)

	2018/12/31 RMB'000	2017/12/31 RMB'000
Accounts receivable from:		
– Gui'an UniTrust Finance Leasing Co., Ltd	3,487	–
Other receivable to:		
– Fullgoal Fund Management Co. Ltd.	5	–
– Entities related to BNP Paribas	529	2,133
Other payable to:		
– Entities related to BNP Paribas	(32)	(10,146)
Dividends Payable		
– Entities related to BNP Paribas	(39,276)	–
Accounts payable to brokerage clients:		
– Shanghai Equity Investment Fund Limited Partnership	(38,244)	–
– Fullgoal Fund Management Co. Ltd.	–	(20)
– Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership	(489)	(3,579)
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	(20)	(2,015)
– Haitong (Jilin) Cultural Industries Investment Fund Limited Partnership	(123)	(56)
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	(10,000)	(33)
– Shanghai Equity Investment Fund Limited Partnership	–	(18)
– Shanghai Shengyuan Real-Estate (Group) Co., Ltd	(61)	(3)
– Liaoning energy investment(Group) Co. Ltd	(4,971)	–
– Shanghai Tongguan Investment Management (Limited Partnership)	(1,447)	–
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	(10)	(10)
– Other (Note C)	(6)	–

Note C Including the related transactions with Guang Dong Southern Media Integration Development Investment Fund (Limited Partnership) and Xi'an Aerospace and New Energy Industry Fund.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 71. RELATED PARTY TRANSACTIONS (continued)

	<b>2018/12/31</b> <b>RMB'000</b>	2017/12/31 <i>RMB'000</i>
Short-term financing bills payables:		
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	–	(14,000)
Long-term Borrowings and interests		
– Entities related to BNP Paribas	<b>(443,958)</b>	–
Bank balance and cash		
– Entities related to BNP Paribas	<b>133,819</b>	–
Financial instrument held under resale agreement		
– Gui'an UniTrust Finance Leasing Co., Ltd.	<b>980,836</b>	–

Except for the emoluments of directors and supervisors disclosed in Note 68, the remuneration of other key management personnel of the Group was as follows:

	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Short-term benefits:		
– Fees, salaries, commission and bonuses	<b>81,075</b>	79,863
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	<b>1,106</b>	5,025
<b>Total</b>	<b>82,181</b>	84,888

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 72. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	Notes	2018/12/31 RMB'000	2017/12/31 RMB'000
Non-current assets			
Property and equipment		1,518,147	1,183,209
Investment properties		15,669	16,864
Other intangible assets		229,666	227,551
Investments in subsidiaries	22	26,622,222	26,022,222
Investments accounted for using equity method		942,400	790,027
Available-for-sale investments		–	17,446,144
Equity instruments at fair value through other comprehensive income		15,213,291	–
Debt instruments at fair value through other comprehensive income		5,768,988	–
Debt instruments measured at amortised cost		150,961	–
Financial assets at fair value through profit or loss		5,007,590	–
Other loans and receivables		–	200,000
Deferred tax assets		1,132,292	1,036,787
Other assets		13,495	13,998
Financial assets held under resale agreements		10,783,555	21,204,776
<b>Total non-current assets</b>		<b>67,398,276</b>	68,141,578
Current assets			
Advances to customers on margin financing		34,754,975	47,877,760
Accounts receivable		664,308	685,160
Other receivables and prepayments		834,145	1,592,123
Amount due from subsidiaries		2,385,576	1,547,320
Available-for-sale investments		–	3,290,939
Debt instruments at fair value through other comprehensive income		5,429,379	–
Other loans and receivables		–	200,000
Financial assets held under resale agreements		56,395,724	67,653,138
Financial assets at fair value through profit or loss		71,215,253	48,977,872
Deposits with exchanges		520,447	963,294
Clearing settlement funds		7,349,729	8,204,447
Bank balances and cash		59,162,103	59,143,829
<b>Total current assets</b>		<b>238,711,639</b>	240,135,882
<b>Total assets</b>		<b>306,109,915</b>	308,277,460



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 72. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

	2018/12/31 RMB'000	2017/12/31 RMB'000
Current liabilities		
Borrowings	292	1,137,412
Short-term financing bills payables	11,587,336	21,897,221
Bonds Payable	28,635,483	6,135,789
Accounts payable to brokerage clients	42,917,483	51,295,045
Other payables and accruals	3,965,403	6,424,386
Amount due to subsidiaries	74,495	30,184
Tax liabilities	619,294	819,794
Financial liabilities at fair value through profit or loss	5,464,016	2,276,176
Derivative financial liabilities	210,263	625,530
Financial assets sold under repurchase agreements	32,089,239	21,054,364
Placements from other financial institutions	8,486,044	5,450,000
<b>Total current liabilities</b>	<b>134,049,348</b>	117,145,901
<b>Net current assets</b>	<b>104,662,291</b>	122,989,981
<b>Total assets less current liabilities</b>	<b>172,060,567</b>	191,131,559
Equity		
Share capital	11,501,700	11,501,700
Capital reserve	56,486,199	56,486,199
Investment revaluation reserve	-	1,296,284
FVTOCI reserve	(295,705)	-
General reserves	18,783,654	17,111,739
Retained profits	21,718,982	20,463,236
<b>Total equity</b>	<b>108,194,830</b>	106,859,158
Non-current liabilities		
Deferred tax liabilities	40,262	598,833
Long-term borrowings	546,231	514,780
Bonds payables	62,958,925	82,311,178
Other payables and accruals	320,319	447,610
Financial assets sold under repurchase agreements	-	400,000
<b>Total non-current liabilities</b>	<b>63,865,737</b>	84,272,401
<b>Total equity and non-current liabilities</b>	<b>172,060,567</b>	191,131,559

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 72. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (continued)

#### FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital RMB'000	Capital Reserve RMB'000	Investment revaluation reserve RMB'000	FVTOCI reserve RMB'000	General Reserve RMB'000	Retained Profit RMB'000	Total RMB'000
	<i>(Note a)</i>						
At 31 December 2017	11,501,700	56,486,199	1,296,284	-	17,111,739	20,463,236	106,859,158
Adjustment	-	-	(1,296,284)	1,208,931	1,536	3,586	(82,231)
At 1 January 2018	11,501,700	56,486,199	-	1,208,931	17,113,275	20,466,822	106,776,927
Profit for the year	-	-	-	-	-	5,567,930	5,567,930
Other comprehensive income for the year	-	-	-	(1,504,636)	-	-	(1,504,636)
Total comprehensive income for the year	-	-	-	(1,504,636)	-	5,567,930	4,063,294
Appropriation to general reserves	-	-	-	-	1,670,379	(1,670,379)	-
Cash dividends recognised as distribution (Note 67)	-	-	-	-	-	(2,645,391)	(2,645,391)
At 31 December 2018	11,501,700	56,486,199	-	(295,705)	18,783,654	21,718,982	108,194,830
At 1 January 2017	11,501,700	56,486,199	(660,702)	-	15,255,470	18,662,315	101,244,982
Profit for the year	-	-	-	-	-	6,187,564	6,187,564
Other comprehensive income for the year	-	-	1,956,986	-	-	-	1,956,986
Total comprehensive income for the year	-	-	1,956,986	-	-	6,187,564	8,144,550
Appropriation to general reserves	-	-	-	-	1,856,269	(1,856,269)	-
Cash dividends recognised as distribution (Note 67)	-	-	-	-	-	(2,530,374)	(2,530,374)
At 31 December 2017	11,501,700	56,486,199	1,296,284	-	17,111,739	20,463,236	106,859,158

Note a: Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 73. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include equity and debt investments, loans and advances, advances to customers on margin financing, accounts receivable, other loan and receivables, debt securities measured at FVTOCI, finance lease receivables, derivatives financial assets, placements to banks and other financial institutions, other receivables and prepayments, financial assets held under resale agreements, deposit with exchanges, clearing settlement funds, bank balances and cash, restricted bank deposits, borrowings, financial assets sold under repurchase agreements, accounts payable to brokerage clients and other payables and accruals. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

During the current year, except for the following changes on credit risk management policies, there has been no changes in the other risk management policies.

### **Credit risk**

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's financial assets exposed to credit risk mainly include loans and advances, advance to customers on margin financing, accounts receivable, other loans and receivables, finance lease receivables, other receivables, deposit with other banks, debt securities measured at FVTOCI, financial assets held under resale agreements, loan commitments and financial guarantee, placements to banks and other financial institutions debt securities at amortised cost and bank balances.

### ***Credit risk management***

The Company has established policies and procedures on calculating and making impairment provision, which is aligned with the objective of credit risk management of financial instrument. The Company established coordination mechanism among business departments, risk management department and financial department and clarified responsibilities of each department, so as to make sure that the assessment on the credit risk of financial instruments is reasonable, and the measurement on the expected credit losses of financial instruments is accurate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 73. FINANCIAL RISK MANAGEMENT (continued)

#### Credit risk (continued)

#### *Credit risk management (continued)*

Below are the duties of the management of the Company regarding to the credit risk management,

- Establish an organizational structure with clear responsibilities and procedures, and formulate policies, regulations and systems for the credit risk management of financial instruments based on business strategies and risk appetite, and adjust them in a timely manner;
- Organize and implement an evaluation of the impairment of financial instruments on the reporting date, and ensure the effectiveness of implementation of verifying, developing and maintaining the impairment calculation model;
- Assess the status and financial impact of the impairment of financial instruments of the Company and report to the board of directors;
- Review and confirm the decision regarding to the major impairment events of the Company;
- Establish a performance assessment system covering the effectiveness of the credit management of financial instruments;
- Establish comprehensive information technology system and data quality control mechanism in respect of calculation of impairment of financial instrument; and
- Other responsibilities granted by the board of directors regarding to credit risk management.

#### *Significant increase in credit risk*

As explained in note 3, the Company monitors all financial assets, except for accounts receivable, that are subject to impairment allowances to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

At the end of each reporting period, the Company should evaluate if there is a significant increase in credit risk on all financial assets, except for accounts receivable since the initial recognition. A comprehensive assessment will be performed with several aspects will be taken into consideration based on the nature of the instrument and risk factor of the debtor. When performing evaluation on the significant increase in credit risk, the Company should take below factors into consideration, including but not limited to:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 73. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk (continued)

#### *Significant increase in credit risk (continued)*

- Significant degradation of the obligor's actual or expected internal credit risk level or significant decrease of behaviour scores for assessing credit risks;
- Actual or expected significant changes in external credit rating on the obligor or the debts;
- Significant changes in values of collaterals pledged for the debt, which may reduce obligor's economic incentive to make repayments within the term specified in the contract or affect probability of default incurred; for example, the obligor's performance guarantee ability is weakened due to decline in values of pledged securities, the obligor fails to provide supplement collaterals as specified in the contract within a reasonable time or the obligor may have stronger incentive to be in arrears with the debt;
- Actual or expected adverse changes in the obligor's business, financial or economic status, which may result in significant changes in the obligor's debt solvency;
- Overdue information of interests or principals;
- Significant changes in external market index for credit risks of specific financial instrument or alike financial instrument with the same expected life; for example, the obligor's credit spread, credit default swap price for the obligor or other market information related to the obligor;
- Actual or expected significant changes in quality of credit supports provided by the guarantor, which may reduce obligor's economic incentive to make repayments within the term specified in the contract; for example, if the guarantor will no longer provide financial support for the obligor, that may result in bankruptcy or receivership of the obligor, or increase in probability of these liabilities default when the obligor makes limited payment of operating funds (such as salaries or payments to key suppliers) so as to arrange the payment obligations of financial liabilities at a lower priority;
- Actual or expected significant changes in quality of credit enhancement or support for creditor's rights issued in securitization, which may result in the decrease of the subordinated interests ability to absorb expected credit losses.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 73. FINANCIAL RISK MANAGEMENT (continued)

#### Credit risk (continued)

##### *Incorporation of forward – looking information*

The Company uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Company considers the opinions of experts who use external and internal information to generate an expectation of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes but not limited to macro-economic factors (i.e. growth rate of GDP, growth rate of generalized money injection, growth rate of stock index, change of foreign currency exchange rate and etc.), industry policies and industry environment and etc. The Company may use the forward-looking information to adjust the parameters of possibility of default, loss given default and exposure at default.

##### *Measurement of ECL*

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on multiple risk categorization methods such as, credit rating models and five-category asset classification model, and assessed using tools tailored to the various categories of counterparties and exposures. These models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 73. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk (continued)

#### *Measurement of ECL (continued)*

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account factors which could affect the realisation of collateral (i.e., concentration, market liquidity and trading restrictions), sale discounts, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the respective assets.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the credit exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the risk characteristics of the portfolios.

In addition to these risk factors mentioned above, the subsidiaries are facing the same credit risk in the course of financing, investing, leasing, OTC (over-the-counter) derivatives, etc. *Measures for Credit Risk Management of Haitong Securities Co., Ltd* was formulated and implemented by the Company, the organizational structure of the Group credit risk management was specified, and established the management mechanism of credit risk identification, assessment, monitoring and reporting within the Group. Under the unified risk preference of parent company, the relevant subsidiaries set up a corresponding control system of credit risk, measures and procedures according to its characteristics, and the risk limit has been drawn up in view of the credit risk exposure and executed after approval by parent company. The Company has followed the overall plan of the Group's comprehensive risk management, strengthens and perfects the credit risk management at the Group level from the aspect of system construction, quota system, monitoring mechanism, information system, risk report, etc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 73. FINANCIAL RISK MANAGEMENT (continued)

#### Credit risk (continued)

#### Measurement of ECL (continued)

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The tables below show the maximum credit risk exposure of the Group, being the carrying amount of the respective recognised financial assets before the effect of mitigation through the use of collateral.

	2018/12/31 <i>RMB'000</i>	2017/12/31 <i>RMB'000</i>
Advances to customers on margin financing	48,861,009	61,560,953
Accounts receivable	8,257,214	7,442,000
Other receivables and prepayments	3,031,728	5,741,974
Other loan and receivables	19,691,530	29,246,575
Held-to-maturity investments	–	78,718
Debt instruments measured at amortised cost	683,296	–
Finance lease receivables	61,652,712	43,536,176
Available-for-sale debt investments	–	4,959,363
Debt instruments at fair value through other comprehensive income	15,131,230	–
Financial assets held under resale agreements	82,678,792	96,549,869
Placements to banks and other financial institutions	31,144	679,092
Financial assets at fair value through profit or loss	103,204,443	63,166,764
Deposits with exchanges	6,982,889	8,528,675
Clearing settlement funds	7,646,561	7,982,729
Bank balances and cash	97,423,052	99,358,329
Restricted bank deposits	739,260	675,568
Deposits with central banks	2,426,236	3,445,696
Deposits with other banks	253,908	316,134
Loans and advances	4,363,487	4,838,272
Derivative financial assets	1,780,757	2,610,612
<b>Maximum credit exposure</b>	<b>464,839,248</b>	<b>440,717,499</b>
Off balance sheet items credit exposure		
Guarantee granted	1,172,904	1,360,846
Irrevocable commitments	129,183	108,756
<b>Maximum off balance sheet items credit exposure</b>	<b>1,302,087</b>	<b>1,469,602</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 73. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk

#### Undiscounted cash flows by contractual maturities

The table below presents the cash flows payable by the Group under financial liabilities held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

#### As at 31 December 2018

	On Demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	-	12,897,229	44,710,443	29,391,971	1,541,690	88,541,333
Deposits from central bank	-	-	-	470,838	-	470,388
Deposits from other banks	19,950	-	-	-	-	19,950
Customer accounts	89,121	950,686	956,318	164,201	-	2,160,326
Accounts payable to brokerage clients	71,893,535	-	-	-	-	71,893,535
Placements from other financial institutions	-	7,487,110	1,092,484	6,011,686	397,158	14,925,448
Financial assets sold under repurchase agreements	1,778,686	50,682,341	3,982,063	-	-	56,443,090
Other payables and accruals	5,371,076	1,020,381	2,803,964	228,442	74,748	9,498,611
Short-term financing bills payables	-	11,638,742	15,370,681	-	-	27,009,423
Bonds payable	-	4,840,126	38,546,116	97,265,469	7,445,352	148,097,063
Financial liabilities at fair value through profit or loss	18,402,191	1,754,351	3,706,285	2,338,127	-	26,200,954
Derivative financial liabilities	457,922	229,382	217,502	495,561	818,407	2,218,774
Long-term payables	-	-	-	6,477,570	187,365	6,664,935
	98,012,481	91,500,348	111,322,866	142,843,865	10,464,720	454,144,280

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 73. FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk (continued)

#### Undiscounted cash flows by contractual maturities (continued)

As at 31 December 2017

	On Demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	-	27,348,606	22,388,833	16,482,482	-	66,219,921
Deposits from central bank	-	-	468,138	-	-	468,138
Deposits from other banks	293,733	-	-	-	-	293,733
Customer accounts	475,574	1,149,083	1,670,420	465,339	-	3,760,416
Accounts payable to brokerage clients	83,774,388	-	-	-	-	83,774,388
Placements from other financial institutions	-	2,502,338	3,153,006	6,054,186	763,897	12,473,427
Financial assets sold under repurchase agreements	1,684,639	18,897,528	12,513,919	406,066	-	33,502,152
Other payables and accruals	6,863,677	1,070,746	1,674,629	328,101	58,215	9,995,368
Short-term financing bills payables	-	11,905,428	18,372,241	-	-	30,277,669
Bonds payable	-	1,885,794	18,514,853	111,379,979	10,304,304	142,084,930
Financial liabilities at fair value through profit or loss	17,754,923	1,070,739	1,209,724	712,400	-	20,747,786
Derivative financial liabilities	1,149,788	416,542	317,057	561,371	1,050,696	3,495,454
Long-term payables	-	-	-	4,748,305	65,394	4,813,699
	111,996,722	66,246,804	80,282,820	141,138,229	12,242,506	411,907,081

#### 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 economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group's exposures to market risk include price risk, interest rate risk and currency risk.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 73. FINANCIAL RISK MANAGEMENT (continued)

### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group is exposed to price risk arising from individual equity investment classified as financial assets held for trading and available-for-sale investments. The directors of the Company manage the exposure by closely monitoring the portfolio of investments and have started hedging exposure by entering into derivatives contracts since 2010.

The Group have utilised the effect of stock price variation on net profit or loss and investment revaluation reserve within the period to manage and analyse the price risk. When reporting internally to the key management on risk, the management estimates that reasonable possible change in price is 10%. If the prices of the respective equity instruments had been 10% higher/lower, and held other variables constant, the impacts to the profit for the year and investment revaluation reserve are as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit for the year		
Increase by 10%	<b>867,555</b>	1,211,927
Decrease by 10%	<b>(867,555)</b>	(1,211,927)
Investment revaluation reserve		
Increase by 10%	<b>23,270</b>	44,405
Decrease by 10%	<b>(23,270)</b>	(44,405)

In the above analysis, management also considers the case of equity instruments at fair value through other comprehensive income that a reasonably possible downward fall in the equity price would lead the investment to be impaired, the effect of loss would be shown as affecting profit or loss and the cumulative loss previously recognised in investment revaluation reserve would be reclassified to profit or loss, but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 73. FINANCIAL RISK MANAGEMENT (continued)

#### Price risk (continued)

In the case that an available-for-sale equity investment that has already been impaired, a reasonably possible downward fall in the equity price may continue to be recognised in profit or loss but an equivalent upward shift in the equity price would be shown as affecting investment revaluation reserve.

In management's opinion, the sensitivity analysis is unrepresentative of inherent price risk as the year end exposure does not reflect the exposure during the year.

#### 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 the Group's bank balances and cash, advances to customers on margin financing, clearing settlement funds, deposits with exchanges, debt securities, placements to banks and other financial institutions and finance lease receivables. Management actively monitors the Group's net interest rate exposure through setting limits on the level of mismatch of interest rate repricing and duration gap and aims at maintaining an interest rate spread, such that the Group is always in a net interest-bearing asset position and derive net interest income.

Fluctuations of prevailing rate quoted by the People's Bank of China and Hong Kong Inter-bank Offered Rate are the major sources of the Group's cash flow interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate financial assets and liabilities. The analysis is prepared by selecting major entities named the Company, and HITH, the director of the Company hold the opinion that this scope has covered the majority interest bearing assets and liabilities of the Group. When reporting to the management on the interest rate risk, the Group will adopt a 25 basis points increase or decrease for sensitivity analysis, while considering the reasonably possible change in interest rates.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 73. FINANCIAL RISK MANAGEMENT (continued)

### Interest rate risk (continued)

#### Sensitivity analysis (continued)

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit after income tax for the year		
Increase by 25bps	<b>(87,210)</b>	(32,239)
Decrease by 25bps	<b>92,575</b>	32,239
Other comprehensive income after income tax		
Increase by 25bps	<b>(37,037)</b>	(33,490)
Decrease by 25bps	<b>37,418</b>	33,490

### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. With the internationalization of the Group, currency risk exposure gradually increased. In addition to the overseas equity investment, Group's foreign currency business and foreign currency assets has become increasingly rich. Position of HKD, USD, EUR, and other non RMB asset increased. Some overseas subsidiaries or affiliates also issued Non-RMB bonds, say Euro Bonds, USD Bonds and HKD Bonds. The foreign currency liabilities increased. These changes make the Group facing a currency risk due to the existence of the differences of currency of assets and liabilities. In addition, with the development of the FTA (Free Trade Area) business, especially offshore debt and foreign investment gradually increased, also result in an increase of currency risk. During the reporting period, the People's Bank of China gradually deepen the process of RMB marketization, and the volatility of RMB foreign exchange rate increased, which leading to a more serious currency risk for the Group. In view of the exchange rate market and the development of the Group, the management continues to strengthen in tracking and researching the currency risk, and constantly improve the internal management and system construction. The Group is trying to hedge and release the currency risk by a series of means, so as to support the Group to explore overseas business. As of 31 December 2018, the Group's currency risk is under management's control.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 73. FINANCIAL RISK MANAGEMENT (continued)

#### Currency risk (continued)

##### *Sensitivity analysis*

The Group's main currency risk exposure comes from its non-functional currency position, the sensitivity analysis below has been determined based on the exposure to foreign exchange rates for financial assets and financial liabilities denominated in non-functional currency for the Group. The analysis is prepared assuming the financial instruments outstanding at 31 December 2017 were outstanding for the whole year. When reporting to the management on the currency risk, the Group will adopt a 5% increase or decrease for sensitivity analysis, while considering the reasonably possible change in RMB non-functional currency.

If RMB strengthened/weakened against non-functional currency by 5% with all other variables held constant, the Group's profit for the year ended 31 December 2018 would increase or decrease by RMB494,425,000 (31 December 2017: RMB343,109,000) respectively.

#### Fair value of financial assets and liabilities

Some of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Group has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives;
- The fair value of other financial assets and financial liabilities (excluding those described above) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, market comparison approach, etc.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 73. FINANCIAL RISK MANAGEMENT (continued)

### Fair value of financial assets and liabilities (continued)

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external values, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 73. FINANCIAL RISK MANAGEMENT (continued)

#### Financial instruments not measured at fair value

The table below summarises the carrying amounts and expected fair values with obvious variances of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair values.

	As at 31 December 2018		As at 31 December 2017	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
<b>Financial assets</b>				
Debt instruments at amortised cost	683,296	682,726	–	–
Held-to-maturity financial assets	–	–	78,718	78,867
<b>Financial liabilities</b>				
Non-convertible bonds payable	134,024,662	137,495,291	125,252,866	120,751,828

#### Fair value hierarchy of financial instruments not measured at fair value

As at 31 December 2018

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Debt instruments at amortised cost	–	682,726	–	682,726
<b>Financial liabilities</b>				
Bonds payable	–	141,820,062	–	141,820,062



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 73. FINANCIAL RISK MANAGEMENT (continued)

### Financial instruments not measured at fair value (continued)

#### *Fair value hierarchy of financial instruments not measured at fair value (continued)*

As at 31 December 2017

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Financial assets</b>				
Held-to-maturity financial assets	–	78,867	–	78,867
<b>Financial liabilities</b>				
Bonds payable	–	124,154,079	–	124,154,079

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statements of financial position approximate their fair values.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 73. FINANCIAL RISK MANAGEMENT (continued)

#### Financial instruments measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Instruments which have been valued using unobservable inputs have been classified by the Group as level 3. Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external appraisers, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

Classified as	Financial assets/ Financial liabilities	Fair value as at 31 Dec 2018	Fair value as at 31 December 2017	Fair value hierarchy
Derivative instruments	Listed options	13,606	466,542	Level 1
		(Assets)	(Assets)	
		52,994	1,024,867	Level 2
		(Liabilities)	(Liabilities)	
148,522	–	Level 2		
(Assets)				
182,389	–	Level 2		
(Liabilities)				
Derivative instruments	Unlisted options	206,960	81,119	Level 2
		(Assets)	(Assets)	
		256,652	503,386	Level 3
		(Liabilities)	(Liabilities)	
17,304	–	Level 3		
(Assets)				
15,709	–	Level 3		
(Liabilities)				
Derivative instruments	Equity linked notes and Debt linked notes	–	265,955	Level 2
		–	(Assets)	
		–	–	



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 73. FINANCIAL RISK MANAGEMENT (continued)

### Financial instruments measured at fair value on a recurring basis (continued)

Classified as	Financial assets/ Financial liabilities	Fair value as at 31 Dec 2018	Fair value as at 31 December 2017	Fair value hierarchy
Derivative instruments	Commodity forward contracts	–	1,992 (Assets)	Level 2
		–	12,729 (Liabilities)	
Derivative instruments	Foreign exchange Forward contracts	<b>55,757</b> <b>(Assets)</b>	91,779 (Assets)	Level 2
		<b>118,393</b> <b>(Liabilities)</b>	106,618 (Liabilities)	
		<b>369</b> <b>(Assets)</b>	–	Level 3
		<b>360</b> <b>(Liabilities)</b>	–	
Derivative instruments	Interest rate, foreign exchange and credit default swap contracts	<b>1,092,435</b> <b>(Assets)</b>	1,586,509 (Assets)	Level 2
		<b>1,280,185</b> <b>(Liabilities)</b>	1,611,497 (Liabilities)	
		<b>86,118</b> <b>(Assets)</b>	–	Level 3
		<b>106,258</b> <b>(Liabilities)</b>	–	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 73. FINANCIAL RISK MANAGEMENT (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

Classified as	Financial assets/ Financial liabilities	Fair value as at 31 Dec 2018	Fair value as at 31 December 2017	Fair value hierarchy
Derivative instruments	Embedded equity instruments	421	–	Level 2
		(Assets)		
		29,543	86	
		(Liabilities)	(Liabilities)	
Derivative instruments	Equity swap contracts	–	48,678	Level 2
			(Assets)	
		877	236,272	
		(Liabilities)	(Liabilities)	
		153,309	–	Level 3
		(Assets)		
		175,414	–	
		(Liabilities)		
Derivative instruments	Commodity future	5,956	68,037	Level 2
		(Assets)	(Assets)	
Available-for-sale investments	Listed equity investments (non-restricted shares), funds investments and debt investments	–	2,924,764	Level 1
		–	838,903	Level 2
	Unlisted debt investments	–	2,121,417	Level 2
		–	5,361,078	Level 3
	Unlisted fund investments	–	4,554,965	Level 2
		–	429,422	Level 3
	Investments in wealth investment products, trust and other products (investing in equity or debt other than unlisted private equity)	–	23,495,280	Level 2
		–		
	Restricted shares and funds	–	1,731,046	Level 3



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 73. FINANCIAL RISK MANAGEMENT (continued)

### Financial instruments measured at fair value on a recurring basis (continued)

Classified as	Financial assets/ Financial liabilities	Fair value as at 31 Dec 2018	Fair value as at 31 December 2017	Fair value hierarchy
Financial assets at fair value through profit or loss	Listed equity investments	24,089,383	28,267,897	Level 1
	(non-restricted shares),	51,465,472	30,268,711	Level 2
	funds investments and debt investments	228,120	–	Level 3
	Unlisted equity investments	2,491,334	1,298,449	Level 2
	(non-restricted shares)	6,109,148	480,774	Level 3
	Unlisted debt investments	39,277,054	22,462,756	Level 2
		474,192	334,930	Level 3
	Unlisted fund investments	24,565,065	10,409,472	Level 2
		83,670	–	Level 3
	Investments in wealth investment products, trust and other products (investing in equity or debt other than unlisted private equity)	19,402,155	6,333,710	Level 2
		241,110	–	Level 3
	Restricted shares and funds	213,823	–	Level 2
		3,282	–	Level 3
	Investments in structure products	8,516,228	–	Level 2
	45,378	–	Level 3	
Financial liabilities at FVTPL	Listed equity investments	757,061	1,907,402	Level 1
	(non-restricted shares), and debt investments	3,239,462	5,043,836	Level 2
	Unlisted debt investments	1,044,240	865,380	Level 2
		1,499	–	Level 3
	Financial liabilities arising from consolidation of structured entities	3,585,088	1,342,318	Level 2
	Structured notes issued	11,813,581	10,183,435	Level 2
		299,387	–	Level 3
Gold lending business	5,460,636	327,600	Level 2	
Gold options	–	1,073,529	Level 2	



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 73. FINANCIAL RISK MANAGEMENT (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

Classified as	Financial assets/ Financial liabilities	Fair value as at 31 Dec 2018	Fair value as at 31 December 2017	Fair value hierarchy
FVTOCI	Listed equity investments (non-restricted shares), funds investments and debt investments	7,221,765	–	Level 1
	Unlisted equity investments (non-restricted shares)	14,651,459	–	Level 2
		266,571	–	Level 3
	Unlisted debt investments	7,439,937	–	Level 2
		779,789	–	Level 3

#### Valuation methods for financial instruments

For Level 1 financial instruments, fair values are unadjusted quotes in active markets for identical assets.

For Level 2 financial instruments, valuations are generally calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio or obtained from third party pricing services agent such as China Central Depository & Clearing Co., Ltd. which are based on the discounted cash flow model. All significant inputs are observable, directly or indirectly from the market.

For Level 3 financial instruments, the management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value, market comparison approach and option pricing model, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 73. FINANCIAL RISK MANAGEMENT (continued)

#### Financial instruments measured at fair value on a recurring basis (continued)

#### Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

31 December 2018

	Available- for-sale investments <i>RMB'000</i>	Financial assets at fair value through profit or loss <i>RMB'000</i>	Equity instruments at FVTOCI <i>RMB'000</i>	Debt instruments at FVTOCI <i>RMB'000</i>	Financial liabilities at fair value through profit or loss <i>RMB'000</i>	Derivative assets <i>RMB'000</i>	Derivative liabilities <i>RMB'000</i>
As at 31 December 2017	7,521,547	815,704	-	-	274,655	-	-
Effect of adoption of IFRS 9	(7,521,547)	6,694,885	268,457	558,205	-	-	-
As at 1 January 2018	-	7,510,589	268,457	558,205	274,655	-	-
Transfer in	-	793,733	-	-	75,482	257,100	297,741
Purchase/(disposal)	-	513,324	-	198,182	(58,647)	-	-
Transfer out	-	(1,949,253)	-	-	(42,518)	-	-
Total losses and gains - other losses and gains	-	316,507	(1,886)	23,402	51,914	-	-
As at 31 Dec 2018	-	7,184,900	266,571	779,789	300,886	257,100	297,741

31 December 2017

As at 1 January 2017	4,022,968	3,634,383	-	-	1,909,546	-	-
Transfer in	4,361,651	563,555	-	-	213,220	-	-
Purchase/(disposal)	779,468	-	-	-	-	-	-
Transfer out	(1,218,923)	(3,188,027)	-	-	(1,721,563)	-	-
Total losses and gains - other losses and gains	(423,617)	(194,207)	-	-	(126,548)	-	-
As at 31 December 2017	7,521,547	815,704	-	-	274,655	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 73. FINANCIAL RISK MANAGEMENT (continued)

#### *Capital management*

The Group's objectives when managing capital are:

1. To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
2. To support the Group's stability and growth;
3. To maintain a strong capital base to support the development of its business; and
4. To comply with the capital requirements under jurisdiction's local regulations.

In accordance with (the relevant regulations issued by Shanghai Securities Regulatory Bureau's 18 March 2014), the Company is required to meet the following standards for risk control indicators on a continual basis:

1. The ratio between its net capital and the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
2. The ratio between its net capital and its net assets shall be no less than 20% ("Ratio 2");
3. The ratio between its net capital and its liabilities shall be no less than 8% ("Ratio 3");
4. The ratio between its net assets and its liabilities shall be no less than 10% ("Ratio 4");
5. The ratio between the value of equity securities and equity related derivatives held and its net capital shall not exceed 100% ("Ratio 5");
6. The ratio between the value of non-equity securities held, non-equity related derivatives and net capital shall not exceed 500% ("Ratio 6");
7. The ratio between its core net capital and total assets of in-balance-sheet and off-balance-sheet shall be no less than 8% ("Ratio 7");



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 73. FINANCIAL RISK MANAGEMENT (continued)

### Capital management (continued)

8. The ratio between its high quality liquid assets and net cash outflow in 30 days shall be no less than 100% ("Ratio 8"); and
9. The ratio between its available stable funding and stable funding needed shall be no less than 100% ("Ratio 9").

Net capital refers to net assets minimises risk adjustments on certain types of assets as defined in the Administrative Measures.

As at 31 December 2018 and 2017, the Company has maintained the above ratios as follows:

	2018/12/31	2017/12/31
Net capital (RMB'000)	<b>71,377,007</b>	75,292,211
Ratio 1	<b>253.27%</b>	249.31%
Ratio 2	<b>65.97%</b>	70.46%
Ratio 3	<b>46.07%</b>	50.16%
Ratio 4	<b>69.84%</b>	71.20%
Ratio 5	<b>28.94%</b>	30.78%
Ratio 6	<b>117.20%</b>	57.72%
Ratio 7	<b>26.03%</b>	27.06%
Ratio 8	<b>477.91%</b>	188.90%
Ratio 9	<b>137.11%</b>	135.49%

The above ratios are calculated based on the underlying financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the People's Republic of China regulated by the China Securities Regulatory Commission.

Certain subsidiaries of the Group are also subject to capital requirements under relevant regulations in PRC, Hong Kong and other jurisdictions. The capital of the Group mainly comprises its total equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 74. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 31 December 2018	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000						
	Gross amounts of recognised financial liabilities set off in the statements of financial position		Net amounts of financial assets presented in the statement of financial position		(d)(ii) Cash collateral received	
Description	Gross amounts of recognised financial assets	of financial position	of financial position	(d)(i) Financial instruments	Net amount	
Derivative instruments (note 42)	1,847,340	66,583	1,780,757	-	-	1,780,757
Accounts receivable from brokers, dealers and clearing house (note 41)	10,355,525	3,920,544	6,434,981	1,000,259	129,112	5,305,610
Advances to customers on margin financing (note 34)	48,861,009	-	48,861,009	44,926,208	3,934,801	-

As at 31 December 2017	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000						
	Gross amounts of recognised financial liabilities set off in the statements of financial position		Net amounts of financial assets presented in the statement of financial position		(d)(ii) Cash collateral received	
Description	Gross amounts of recognised financial assets	of financial position	of financial position	(d)(i) Financial instruments	Net amount	
Derivative instruments (note 42)	2,613,863	3,251	2,610,612	-	-	2,610,612
Accounts receivable from brokers, dealers and clearing house (note 41)	9,792,616	3,771,075	6,021,541	188,358	253,302	5,579,881
Advances to customers on margin financing (note 34)	61,560,953	-	61,560,953	56,177,307	5,383,646	-
Deposits with exchanges (note 36)	8,528,675	-	8,528,675	76,375	-	8,452,300



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 74. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

As at 31 December 2018	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000	Gross amounts of recognised financial assets set off in the statements of financial position		Net amounts of financial liabilities presented in the statement of financial position	(d)(i) Financial instruments	(d)(ii) Cash collateral pledged	Net amount
Description	Gross amounts of recognised financial liabilities	set off in the statements of financial position	of financial position			
Derivative instruments (note 42)	2,269,745	50,971	2,218,774	-	-	2,218,774
Pending payable to clearing house (note 54)	6,168,400	3,920,544	2,247,856	1,358,081	-	889,775
Financial liabilities held for trading (note 56)	4,787,319	-	4,787,319	-	3,860,420	926,899

As at 31 December 2017	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)	
	Related amounts not set off in the statement of financial position					
in RMB'000	Gross amounts of recognised financial assets set off in the statements of financial position		Net amounts of financial liabilities presented in the statement of financial position	(d)(i) Financial instruments	(d)(ii) Cash collateral pledged	Net amount
Description	Gross amounts of recognised financial liabilities	set off in the statements of financial position	of financial position			
Derivative instruments (note 42)	3,514,713	19,259	3,495,454	-	-	3,495,454
Pending payable to clearing house (note 54)	7,732,991	3,771,075	3,961,916	467,475	-	3,494,441
Financial liabilities held for trading (note 56)	6,864,074	-	6,864,074	-	3,849,105	3,014,969

The Group has entered into master netting arrangements with counterparties for the derivative instruments and also with clearing house for un-settled trades.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 74. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collaterals of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreement, borrowing with collateral, advances to customers and etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position. However, the risk exposure associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. As of 31 December 2018 and 31 December 2017, the fair value of the collaterals related to the above items exceeded the book value of those financial instruments; net exposure and net amount is insignificant after setting off the collaterals.

### 75. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group' liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were or future cash flow will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	<b>Borrowings</b>	<b>Bonds payables and short-term financing payables</b>	<b>Interest payables</b>	<b>Dividend payables</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2018	61,321,990	159,585,031	3,184,872	19,198	224,111,091
Transfers	380,122	2,804,750	(3,184,872)	–	–
Financing cash flows	15,099,353	(4,209,382)	–	(3,179,705)	7,710,266
Non-cash changes:					
– Interest expenses	2,992,938	7,550,041	–	–	10,542,979
– Exchange difference	408,917	956,347	–	–	1,365,264
– Dividend distribution	–	–	–	3,207,559	3,207,559
Conversion into ordinary shares of a subsidiary	–	(1,962)	–	–	(1,962)
As at 31 December 2018	80,203,320	166,684,825	–	47,052	246,935,197



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 75. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	Borrowings	Bonds payables and short-term financing payables	Interest payables (Note)	Dividend payables	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2017	61,148,555	148,159,309	3,434,556	7,536	212,749,956
Financing cash flows	2,716,981	12,470,810	(8,307,021)	(2,894,357)	3,986,413
Non-cash changes:					
– Interest expenses	77,135	217,639	8,057,337	–	8,352,111
– Exchange difference	(2,620,681)	(1,262,727)	–	–	(3,883,408)
– Dividend distribution	–	–	–	2,913,226	2,913,226
Other Changes	–	–	–	(7,207)	(7,207)
As at 31 December 2017	61,321,990	159,585,031	3,184,872	19,198	224,111,091

Note: Interest payable only includes those arising from borrowings, short-term financing payables and bonds payables.

### 76. AUDITORS REMUNERATION

	2018/12/31	2017/12/31
	<i>RMB'000</i>	<i>RMB'000</i>
Annual audit fee for the Company	7,140	6,600
Other subsidiaries' audit fees	19,126	15,107
	26,266	21,707



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 77. SUBSEQUENT EVENTS

#### Profit distribution resolution

On 27 March 2019, the board of directors of the Company proposed a profit distribution resolution, Cash dividend of RMB1.5 per 10 shares (inclusive of tax) was distributed to all holders of A Shares and H Shares whose names appear on the register of members of the Company on the record date. The total cash dividends to be distributed would be RMB1,725,255,000 on the basis of a total share capital of 11,501,700,000 A Shares and H Shares in issue. The retained profits of the Company of RMB19,993,726,924.22 following the cash dividend distribution will be carried forward to the next year. The specific overall amount of cash dividends under distribution and the retained profits to be carried forward to the next year will be calculated according to the actual number of shares of the Company in issue on the record date for the cash dividend distribution.

The cash dividend will be calculated and declared in RMB, and paid in RMB to A share shareholders and in HKD equivalent to H share shareholders. The actual HKD amount will be converted from RMB at the average benchmark exchange rate of the last 5 working days published by the People's Bank of China before the 2018 annual general meeting.

After the profit distribution resolution has been approved by the annual general meeting, the cash dividend will be paid out within two months from the date of approval.

#### Listing application by a subsidiary

On 25 March 2019, Haitong Uni Trust International Leasing Co., Ltd, a wholly-owned subsidiary of the Group, resubmitted a listing application (Form A1) to the Hong Kong Stock Exchange Limited.

### 78. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.